1	Introduction to cost and management accounting	60
2	Material cost	110
3	Employee cost	100
4	Overheads	100
5	ABC	60
6	Cost sheet	50
7	Cost Accounting System	60
8	Unit and batch costing	40
9	Job Costing	50
10	Process costing	60
11	Joint and by products Costing	80
12	Service costing	60
13	Standard Costing	100
14	Marginal Costing	100
15	Budgets and budgetary Control	70
	Total	1,100

CA Vinod Reddy

EXPERT PROFESSIONAL ACADEMY PVT. LTD. - CA- INTER

1. INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

1. H Holding Ltd. has five subsidiary companies spread over five states in India. All subsidiaries are further divided into units which manufactures goods. Only the H Holdings Ltd. has the power to make decision on capital expenditures across the all subsidiaries. The subsidiary companies have the liberty to fix prices of the products. The manufacturing units make plans of material procurement and production operation. Each subsidiary has separate Research & development, publicity & advertisement and corporate social responsibility (CSR) departments. Which type of responsibility centre the research and development department is

(a) Profit centre (b) Revenue centre (c) Discretionary cost centre (d)Standard cost centre

2. Which of the following is Not true about the three fold assumptions of cost reduction

(a) There is possibility of saving in cost per unit.

(b) Such saving is of temporary in nature.

(c) The quality and utility of product remain unaffected.

(d) All of the above three.

3. Which of the following is NOT a part of Cost Control

(a) Conducting continuous research and study to know the most optimal way to manufacture a product or render a service.

(b) Determination of pre-determined standard or results.

(c) Comparison of actual performance with set standard or target.

(d) None of the above.

4. Which of the following is Not true about the cost control and cost reduction

(a) Cost control seeks to attain lowest possible cost under best conditions.

(b) Cost control emphasizes on past and present.

(c) Cost reduction is a corrective function. It operates even when an efficient cost control system exists.

(d) Cost control ends when targets are achieved.

5. Which of the following is not a function of cost accounting system?

(a) Provision of information to help managers in making make or buy decisions.

(b) Ascertainment of cost for a cost object.

(c) Classification of costs on the basis of functions.

(d) Valuation of raw materials.

6.Fixed costs, which cannot be avoided during the temporary closure of a plant, will be known as:

(a) Sunk cost (b) Shut-down cost (c) Opportunity cost (d) Notional Cost

7.Responsibility Centre can be categorised into:

(a) Cost Centres only (b) Profit Centres only

(c) Investment Centres only (d) Cost Centres, Profit Centres and Investment Centres

8. Identify amongst the following which is/ are in the scope of cost and management accounting
(a) Maintenance of accounting records relating to utilization of materials, labour and other items of cost.
(b) Preparation of cost reports for planning, control and performance evaluation.
(c) Performing analysis to know whether cost is not exceeding its budgeted cost and whether further cost reduction is possible or not.
(d) All of the above

9. Which of the following is the primary objective of management accounting:
(a) To provide information to statutory bodies.
(b) To provide information to shareholders and investors for decision-making
(c) To provide information to lenders and creditors for evaluation of credit risk.
(d) To provide information to management for planning and controlling.

10. Which of the following is not a function of management accounting:
(a) Identification and reporting of variances between the actual and the budgeted one.
(b) Providing information to shareholders in their decision making
(c) Provision of information for making better managerial decisions.
(d) Computation and classification of costs for determination of costs.

11. Which of the following is not true about the variable cost:
(a) Cost tends to increase or decrease with the changes in output.
(b) Cost per unit remains unaffected with the change in volume of production.
(c) Cost remains variable irrespective of level of cost object like from unit level to batch level or plant level.
(d) In general, it is relevant for making decision on make or buy.

12. A Ltd. produces a final product X, which requires two components, A and B. The following are the information related to both the components:
Normal usage 50 per week each , Maximum usage 75 per week each,
Minimum usage 25 per week each , Re-order quantity A: 300; B: 500,
Re-order period A: 4 to 6 weeks , B: 2 to 4 weeks.
Average stock level for the component A is:
(a) 350 units (b) 425 units (c) 450 units (d) 300 units

13. _____ is anything for which a separate measurement is required.
(a) Cost unit (b) Cost object (c) Cost driver (d)Cost centre

14. Which of the following is true about Cost control:
(a) It is a corrective function (b) It challenges the set standards
(c) It ends when targets achieved (d) It is concerned with future

15. Cost units used in power sector is:
(a) Kilo meter (KM) (b) Kilowatt-hour (kWh) (c) Number of electric points (d) Number of hours

16. Processes Costing method is suitable for
(a) Transport sector (b) Chemical industries (c) Dam construction (d) Furniture making

17. Distinction between direct cost and indirect cost is an example of classification
(a) By ElemenT (b) By Function (c) By Controllability (d) By Variability

18. The advantage of using IT in Cost Accounting does not include:
(a) Integration of various functions.
(b) Stock needs to be reconciled with Goods Received Note
(c) Reduction in multicity of documents
(d) Customised reports can be prepared.

19. A taxi provider charges minimum 80 thereafter 12 per kilometer of distance travelled, the behaviour of conveyance cost is:
(a) Fixed Cost (b) Semi-variable Cost (c) Variable Cost (d) Administrative cost.

20. A Ltd. has three production department, and each department has two machines, which of the following cannot be treated as cost centre for cost allocation:
(a) Machines under the production department (b) Production departments
(c) Both Production department and machines (d)A Ltd.

CA Vinod Reddy

ANSWERS

1	B	11	C
2	B	12	B
3	A	13	B
4	A	14	C
5	A	15	B
6	B	16	B
7	D	17	A
8	D	18	B
9	D	19	B
10	B	20	D

CA Vinod Ready

21.Which of the following is an example of functional classification of cost:
(a) Semi-variable Costs. (b) Fixed Cost (c) Administrative Overheads (d) Indirect Overheads.

22. Ticket counter in a railway station is an example of
(a) Cost centre (b) Revenue Centre (c) Profit centre (d) Investment centre

23. Prime cost is
(a) all costs incurred in manufacturing a product (b) the total of direct costs
(c) the material cost of a product (d) the cost of operating a department

24. A company employs three drivers to deliver goods to its customers. The salaries paid to these drivers are:
a. a part of prime cost b. a direct production expense
c. a production overhead d. a selling and distribution overhead

25. A company has to pay a ₹ 1 per unit royalty to the designer of a product which it manufactures and sells.The royalty charge would be classified in the company's accounts as a
a. Direct expense b. Production overhead c. Administrative overhead d. Selling overhead

26. is a method of dealing with overheads which involves spreading common costs over cost centers on the basis of benefit received.
a. overhead absorption b. overhead apportionment c. overhead allocation d. overhead analysis

27. Which of the following classification is meant for distinction between direct cost and indirect cost?
a. Function b. Element c. Variability d. Controllability

28. Which of the following is applicable for Cost Control?
a. It is related with the future b. It is a corrective function
c. It ends when the targets are achieved d. It challenges the standards set

29. is anything for which a separate measurement of cost is required.
a. Cost driver b. Cost centre c. Cost unit d. Cost object

30. Ticket counter in a Metro Station is an example of
a. Profit centre b. Investment centre c. Cost centre d. Revenue centre

31. Which of the following is an example of functional classification of cost?
a. Direct labour cost b. Direct material cost
c. Factory overhead d. Indirect material cost

32. Absorption costing is also referred as
a. Historical costing b. Traditional costing c. Full costing d. All of the above terms

33. _____ is defined as "the process of accounting for cost which begins with the recording of income and expenditure or the bases on which they are calculated and ends with the preparation of periodical statements and reports for ascertaining and controlling costs."
(a) Cost Accounting (b) Cost Accountancy (c) Costing (d) Cost

34. _____ is defined "as the achievement of real and permanent reduction in the unit cost of goods manufactured or services rendered without impairing their suitability for the use intended or diminution in the quality of the product."
(a) Costing (b) Cost Control (c) Cost Cutting (d) Cost Reduction

35. The three-fold assumptions involved in the definition of cost reduction are
(a) There is a saving in unit cost.
(b) Such saving is of permanent nature.
(c) The utility and quality of the goods and services remain unaffected, if not improved.
(d) All of the above

36. The role of a cost and management accounting system is to:
(a) Provide relevant information to management for decision making
(b) Assist management for planning, measurement, evaluation and controlling of business activities
(c) Help in allocation of cost to products and inventories for both external and internal users.
(d) All of the above

37. The cost centres are of two types:
(a) Standard Cost Centre (b) Discretionary Cost Centre
(c) Both (a) & (b) (d) Either (a) or (b)

38. Cost Centre where output is measurable and input required for the output can be specified is known as
(a) Standard Cost Centre (b) Discretionary Cost Centre
(c) Revenue Centre (d) Profit Centre

39. The cost centre whose output cannot be measured in financial terms, thus input-output ratio cannot be defined is known as
(a) Standard Cost Centre (b) Discretionary Cost Centre
(c) Revenue Centre (d) Profit Centre

40. _____ costs contain both fixed and variable components and are thus partly affected by fluctuations in the level of activity.
(a) Variable Costs (b) Semi-Variable Costs (c) Direct Costs (d) Fixed Costs

CA Vinod Ready

ANSWERS

21	C	31	C
22	B	32	D
23	B	33	A
24	D	34	D
25	A	35	D
26	B	36	D
27	B	37	C
28	C	38	A
29	D	39	B
30	D	40	B

CA Vinod Ready

41. Under _____ method, difference between the total cost at highest and lowest volume is divided by the difference between the sales value at the highest and lowest volume.
(a) Graphical (b) High-Low (c) Analytical (d) Least Squares

42. Under _____ method an experienced cost accountant tries to judge empirically what proportion of the semi-variable cost would be variable and what would be fixed.
(a) Graphical (b) High-Low (c) Analytical (d) Least Squares

43. A cost which is computed in advance before production or operations start, on the basis of specification of all the factors affecting cost, is known as _____.
(a) Pre-determined cost (b) Standard Cost (c) Estimated Cost (d) Imputed Costs

44. A _____is a factor or variable which effect level of cost.
(a) Cost driver (b) Cost Pool (c) Costing (d) Cost Units

45. These are costs that result specifically from a clear cause and effect relationship between inputs and outputs.
(a) Explicit Costs (b) Engineered Costs (c) Period Costs (d) Sunk Costs

46.

Number of units produced	12,000 units	14,000 Units
Factory overhead cost	2,00,000 rupees	2,06,000 rupees

Normal capacity for the period is 20,000 Units. Find factory overhead cost for 18,000 Units.
(a) 2,00,000 (b) 2,10,000 (c) 2,18,000 (d) 2,20,000

47.

PARTICULARS	20,000 Units	25,000 Units
Prime cost	2,00,000	2,50,000
Factory overhead	1,50,000	1,60,000
Factory Cost	3,50,000	4,10,000

Find factory cost for 30,000 Units, if normal capacity for the period is to produce and sell 40,000 units.
(a) 4,00,000 (b) 4,10,000 (c) 4,70,000 (d) 5,20,000

48.

PARTICULARS	Jan- March (2027)	April-Dec (2027)
Number of units produced	5,000	25,000
Total cost	60,000	2,40,000

Find fixed cost for year 2027.
(a) 1,20,000 (b) 1,10,000 (c) 1,18,000 (d) 1,30,000

49. Find variable cost per unit using the data of above question no. 48.
(a) 3 (b) 4 (c) 5 (d) 6

50.

Number of units produced	50,000 units	60,000 Units
Repairs and maintenance cost	9,00,000 rupees	9,40,000 rupees

Find fixed Repairs and maintenance cost.
(a) 5,00,000 (b) 6,00,000 (c) 7,00,000 (d) 8,00,000

51. Find variable Repairs and maintenance cost per unit using the data of above question no. 50.
(a) 3 (b) 4 (c) 5 (d) 6

52. Find total Repairs and maintenance cost if 78,000 units are produced from the data of question no. 50.
(a) 10,00,000 (b) 10,12,000 (c) 10,20,000 (d) 10,10,000

53. Answer questions on the following data from 53 to 56.

PARTICULARS	Jan- March (2027)	April-Dec (2027)
Number of units produced	8,000	20,000
Selling and distribution cost	2,80,000	8,00,000

Find Fixed S&D cost for the year 2027.
(a) 5,00,000 (b) 6,00,000 (c) 7,00,000 (d) 8,00,000

54. Find variable S&D cost per unit.
(a) 7 (b) 8 (c) 9 (d) 10

55. Find Total S&D cost if 32,500 units are produced in a year.
(a) 10,00,000 (b) 11,12,000 (c) 11,25,000 (d) 12,10,000

56. Find Total S&D cost if 15,800 units are produced in a year.
(a) 5,52,000 (b) 5,50,000 (c) 5,58,000 (d) 5,60,000

57.

PARTICULARS	Lowest volume	Highest volume
Total cost	20,00,000	35,00,000
Total sales	1,00,00,000	3,00,00,000

Find fixed cost for the period.
(a) 12,00,000 (b) 12,12,000 (c) 12,25,000 (d) 12,50,000

58.

PARTICULARS	Lowest volume	Highest volume
Total cost	10,000	16,000
Total sales	80,000	2,00,000

Find Fixed cost for the period.
(a) 5,000 (b) 6,000 (c) 7,000 (d) 8,000

59.

Number of units produced	80,000	1,20,000
Salesman salary	20,00,000	23,58,000

Find fixed salesman salary for the period.
(a) 12,80,000 (b) 12,82,000 (c) 12,84,000 (d) 12,85,000

60. Find variable salesman salary per unit using the data of above question no. 59.
(a) 8.90 (b) 8.95 (c) 8.70 (d) 8.75

CA Vinod Ready

ANSWERS

41	B	51	B
42	C	52	B
43	A	53	D
44	A	54	D
45	B	55	C
46	C	56	C
47	C	57	D
48	A	58	B
49	D	59	C
50	C	60	B

CA Vinod Ready

1. Direct material can be classified as
(a) Fixed cost (b) Variable cost (c) Semi-variable cost (d) Prime Cost

2. In most of the industries, the most important element of cost is
(a) Material (b) Labour (c) Overheads (d) Administration Cost

3. Which of the following is considered to be the normal loss of materials?
(a) Loss due to accidents
(b) Pilferage
(c) Loss due to breaking the bulk
(d) Loss due to careless handling of materials.

4 In which of following methods of pricing, costs lag behind the current economic values?
(a) Last-in-first out price
(b) First-in-first out price
(c) Replacement price
(d) Weighted average price

5. Continuous stock taking is a part of
(a) Annual stock taking (b) Perpetual inventory (c) ABC analysis (d) Bin Cards

6. In which of the following methods, issues of materials are priced at pre- determined rate?
(a) Inflated price method
(b) Standard price method
(c) Replacement price method
(d) Market price method.

7. When material prices fluctuate widely, the method of pricing that gives absurd results is
(a) Simple average price
(b) Weighted average price
(c) Moving average price
(d) Inflated price.

8. When prices fluctuate widely, the method that will smooth out the effect of fluctuations is
(a) Simple average
(b) Weighted average
(c) FIFO
(d) LIFO

9. Under the FSN system of inventory control, inventory is classified on the basis of:
(a) Volume of material consumption
(d) Frequency of usage of items of inventory
(c) Criticality of the item of inventory for production
(d) Value of items of inventory

10. Form used for making a formal request to the purchasing department to purchase materials is a - :
(a) Material Transfer Note
(b) Purchase Requisition Note
(c) Bill of Materials
(d) Material Requisition Note

11. At which of the following level fresh order should be placed for replenishment of stock:
(a) Minimum stock level
(b) Maximum stock level
(c) Re-order level
(d) Danger stock level

12.This system of inventory classification, classify inventory on the basis of its criticality for the production function and final product.
(a) Fast, Slow and Non-moving (FSN)
(b) ABC Analysis
(c) Vital, Essential and Desired (VED)
(d) High, Medium and Low (HML)

13.While calculation of Economic Order Quantity (EOQ), Annual requirement (A), represents
(a) Annual demand for the products to be sold.
(b) Annual demand for the materials to be consumed.
(c) Annual requirement for capital.
(d) Annual requirement for storage space.

14.Identify the correct sequence of material procurement amongst the followings
(a) Request for proposal (RFP), Purchase Order, Bill of Material, Goods Received Note (GRN)
(b) Material Requisition Note (MRN), Request for proposal (RFP), Purchase Order, Goods Received Note (GRN)
(c)Notice Inviting Tender (NIT), Purchase Requisition, Purchase Order, Goods Received Note (GRN)
(d) Purchase Requisition, Notice Inviting Tender (NIT), Purchase Order, Bill of Materials.

15.Which of the following method of inventory valuation is considered suitable during inflationary period or period of rising prices:
(a) Standard cost method
(b) Cost price method
(c) FIFO method
(d) LIFO method

16.Which of the following is Not added with cost of material:
(a) Road/ toll tax
(b) GST on which ITC is available.
(c) Custom duty.
(d) All of the above.

17.This system of inventory classification, classify inventory on the basis of the cost of an individual item.
(a) Fast, Slow and Non-moving (FSN)
(b) ABC Analysis
(c) Vital, Essential and Desired (VED)
(d) High, Medium and Low (HML)

18. While setting the quantity to be re-ordered,consideration is given to:
(a) maintenance of minimum level of stock
(b)maintenance of maximum level of stock
(c) maintenance of average stock level.
(d) maintenance of minimum carrying cost.

19.Which of the following not true about "Store Ledger":
(a) Entries are made when transaction takes place.
(b) It is maintained in cost accounting department.
(c) Transactions may be summarized and then posted.
(d) It is always posted after the transaction.

20.According to JIT inventory management approach material should only be purchased when it is actually:
(a) Requisitioned by the user department
(b) Requisitioned by the stores department
(c) Made available by the vendor
(d) Required for production

CA Vinod Ready

ANSWERS

1	B	11	C
2	A	12	C
3	C	13	B
4	B	14	B
5	B	15	D
6	B	16	B
7	A	17	D
8	B	18	A
9	B	19	A
10	B	20	D

CA Vinod Ready

21. Which of the following is not an assumption for the calculation of economic order quantity:
(a) Ordering cost per order and carrying cost per unit per annum are known.
(b) Cost per unit of the material is to be derived.
(c) Anticipated usage of material in units is known.
(d) The quantity of material ordered is received immediately.

22. The document which specifies the standard quantities and qualities of materials required for producing a product is known as:. The document which specifies the standard quantities and qualities of materials required for producing a product is known as:
(a) Purchased Order
(b) Bill of Material
(c) Material Requisition
(d) Purchase Requisition

23.Which of the following statement is true:
(a) Cost of container is added to cost of material if it is non-returnable.
(b) Cost of container is added to cost of material if it is returnable.
(c) Cost of container is not added to cost of material, it is capitalised.
(d) All the above statement are incorrect

24. JIT inventory management is also known as
(a) Demand Push system of production.
(b) Supply Push system of production.
(c) Demand Pull system of production.
(d) Supply Push system of production.

25. Material control requirements may be summarized as:
(a) Proper co-ordination of all departments involved viz., finance, purchasing, receiving, inspection, storage, accounting and payment.
(b) Determining purchase procedure to see that purchases are made, after making suitable enquiries, at the most favourable terms to the firm.
(c) Use of standard forms for placing the order, noting receipt of goods, authorising issue of the materials etc.
(d) All of the above

26. Material control involves efficient functioning of the following operations:
(a) Purchasing of materials
(b) Receiving of materials
(c) Inspection of materials
(d) All of the above

27. Bill of Materials is also known as _____
(a) Materials Specification List (b) Materials List (c) Both (a) & (b) (d) None

28. _____ detailed list specifying the standard quantities and qualities of materials and components required for producing a product or carrying out of any job.
(a) Materials Specification List (b) Material Procurement (c)Material Control (d) Material usage

29. Material Requisition Note is also known as _____.
(a) Material Requisition Slip (b) Materials Specification List (c) Materials List (d) None

30. _____ is a voucher of authority used to get materials issued from store.
(a) Material Requisition Slip (b) Materials Specification List (c) Materials List (d) None

31. _____is a form used for making a formal request to the purchasing department to purchase materials.
(a) Demand Requisition (b) Purchase requisition (c) Supply Note (d) None

32. Goods Received Note is also known as _____.
(a) Receiving Report (b) Material Inward Note (c) Both (a) & (b) (d) None

33. The Copy of Goods Received Note is distributed to
(a) Purchase department
(b) Store or order indenting department
(c) Receiving department
(d) Accounting department.
(e) All of the above

34. Ascertainment of cost of material purchased is called _____.
(a) Valuation of materials receipts
(b) Checking and Passing of Bills
(c) Receipt and Inspection of Materials
(d) None of the above

35. _____ is deducted from the purchase price if it is not shown as deduction in the invoice.
(a) Trade discount (b) Cash Discount (c) Quantity discount (d) Both (a) & (c)

36. _____ is a penalty imposed by the transporter for delay in uploading or offloading of materials.
(a) Demurrage (b) Penalty (c) Fine (d) None

37. _____ charges/fines are imposed for noncompliance of rule or law by any statutory authority.
(a) Detention (b) Demurrage (c) Penalty (d) None

38. Duties of Store Keeper can be defined as:
(a) General control over store
(b) Initiate purchase requisition
(c) Stock verification and reconciliation
(d) All of the above

39. The record of stores may be maintained in the form of
(a) Bin Cards (b) Stock Control Cards (c) Store Ledger (d) All of the above

40. The advantages of Bin cards include
(a) People handling materials are not ordinarily suitable for the clerical work involved in writing Bin Cards.
(b) Control over stock can be more effective, as comparison of the actual quantity in hand at any time with the book balance is possible.
(c) The cards are liable to be smeared with dirt and grease because of proximity to material and also because of handling materials.
(d) All of the above

CA Vinod Reddy

ANSWERS

21	**B**	31	**B**
22	**B**	32	**C**
23	A	33	E
24	C	34	A
25	D	35	D
26	D	36	A
27	C	37	A
28	A	38	D
29	A	39	D
30	A	40	B

CA Vinod Ready

41. A _____ is maintained to record both quantity and cost of materials received, issued and those in stock.
(a) Stores Ledger (b) Bin Cards (c) Stock control cards (d) None

42. Advantages of Stock Control Cards includes:
(a) Records are kept in a more compact manner so that reference to them is facilitated
(b) Records can be kept in a neat and clean way by men solely engaged in clerical work so that a division of workers between record keeping and actual material handling is possible
(c) On the spot comparison of the physical stock of an item with its book balance is not facilitated.
(d) Both (a) & (b)

43. _____ is known as the function of ensuring that sufficient goods are retained in stock to meet all requirements without carrying unnecessarily large stocks.
(a) Inventory control (b) Material Control (c) Stores Control (d) None

44. The objective of _____ is to make a balance between sufficient stock and over-stock
(a) Material Control (b) Inventory control (c) Stores Control (d) None

45. _____ is the level at which fresh order should be placed for replenishment of stock.
(a) Minimum Stock Level (b) Re-order Stock Level (c) Maximum Stock level (d) None

46. Re-order Stock Level (ROL) is calculated as
(a) Minimum Consumption × Minimum Re-order Period
(b) Minimum Consumption × Maximum Re-order Period
(c) Maximum Consumption × Maximum Re-order Period
(d) Maximum Consumption × Minimum Re-order Period

47. Re-order period is also known as _____.
(a) Lead Time (b) Usage Time (c) Control time (d) None

48. _____ is the size of an order for which total of ordering and carrying cost are minimum.
(a) Reorder Quantity (b) Economic Order Quantity (c) Both (a) & (b) (d) None

49. _____ is the quantity of materials for which purchase requisition is made by the store department.
(a) Reorder Quantity (b) Economic Order Quantity (c) Both (a) & (b) (d) None

50. The calculation of economic order of material to be purchased considers following assumptions:
(a) Ordering cost per order and carrying cost per unit per annum are known and they are fixed.
(b) Anticipated usage of material in units is not known.
(c) Cost per unit of the material is constant and is not known as well.
(d) All of the above.

51. The EOQ in the following case shall be:
Consumption of materials per annum : 10,000 kg.
Order placing cost per order : ₹ 50
Cost per kg. of raw materials : ₹ 2
Storage costs : 8% on average inventory.

(a) 1500 kgs (b) 2500 Kgs (c) 2000 kgs (d) 3000 kgs

52. COMPUTE E.O.Q. for the following:
Annual Demand = 5,000 units
Unit price = ₹Rs 20.00
Order cost = ₹ Rs16.00
Storage rate = 2% per annum
Interest rate = 12% per annum
Obsolescence rate = 6% per annum
(a) 250 Units (b) 200 Units (c) 300 units (d) 150 Units

53. Minimum Stock Level is calculated as
(a) Re-order Stock Level - (Average Consumption Rate × Average Re-order Period)
(b) Re-order Stock Level - (Min Consumption Rate × Min Re-order Period)
(c) Re-order Stock Level - (Max Consumption Rate × Max Re-order Period)
(d) Minimum Consumption × Minimum Re-order Period

54. Maximum Stock Level is calculated as
(a) Re-order Level + Re-order Quantity - (Maximum Consumption Rate × Maximum Re-order Period)
(b) Maximum Consumption × Maximum Re-order Period
(c) Re-order Level + Re-order Quantity - (Minimum Consumption Rate × Minimum Re-order Period)
(d) Re-order Level + Re-order Quantity - (Average Consumption Rate × Average Re-order Period)

55. Average Stock Level is calculated as
(a) Minimum Stock Level + 1/2 Re-order Quantity
(b) (Maximum Stock Level + Minimum Stock Level)/ 2
(c) Both (a) & (b)
(d) None

56. _____ is the level at which normal issues of the raw material inventory are stopped and emergency issues are only made.
(a) Abnormal level (b) Danger level (c) Emergency level (d) Alert level

57. Danger Level is calculated as
(a) Average Consumption* × Lead time for emergency purchase
(b) Minimum Stock Level + 1/2 Re-order Quantity
(c) Minimum consumption * Lead time for emergency purchase
(d) Both (a) & (c)

58. Some quantity of stock kept for contingency to be used in case of sudden order is known as _____.
(a) Buffer stock
(b) Emergency Stock
(c) Abnormal Stock
(d) Danger Stock

59. Normal usage 50 per week each
Maximum usage 75 per week each
Minimum usage 25 per week each
Re-order quantity A: 300 ; B: 500
Re-order period A: 4 to 6 weeks ; B: 2 to 4 weeks

CALCULATE the Re-ordering level for each component.

(a) A:450 units; B:300 units
(b) A:300 units; B:450 units
(c) A:200 units; B:150 units
(d) A:150 units; B:200 units

60. Calculate the Minimum level for component A & B using the data of question 59.

(a) A:450 units; B:300 units
(b) A:300 units; B:450 units
(c) A:200 units; B:150 units
(d) A:150 units; B:200 units

CA Vinod Reddy

ANSWERS

41	A	51	B
42	D	52	B
43	A	53	A
44	B	54	C
45	B	55	C
46	C	56	B
47	A	57	A
48	B	58	A
49	A	59	A
50	A	60	C

CA Vinod Ready

61. _____ system exercises discriminating control over different items of inventory on the basis of the investment involved.
(a) ABC Analysis (b) Fast, Slow and Non-Moving (FSN)
(c) Vital, Essential and Desirable (VED) (d) High, Medium and Low (HML)

62. The advantages of ABC analysis are
(a)Continuity in production
(b)Less attention required
(c)Systematic working
(d) All of the above

63. Under _____ system, inventories are controlled by classifying them on the basis of frequency of usage.
(a) ABC Analysis (b) Fast, Slow and Non-Moving (FSN)
(c) Vital, Essential and Desirable (VED) (d) High, Medium and Low (HML)

64. Under _____ system of inventory analysis, inventories are classified on the basis of its criticality for the production function and final product.
(a) ABC Analysis (b) Fast, Slow and Non-Moving (FSN)
(c) Vital, Essential and Desirable (VED) (d) High, Medium and Low (HML)

65. Under _____ system, inventory is classified on the basis of the cost of an individual item
(a) ABC Analysis (b) Fast, Slow and Non-Moving (FSN)
(c) Vital, Essential and Desirable (VED) (d) High, Medium and Low (HML)

66. Inventory Turnover Ratio is calculated as
(a) Cost of average held stock during the period/ Cost of materials consumed during the period
(b) Cost of materials consumed during the period/ Cost of average held stock during the period
(c) 1/2 (opening stock + closing stock)
(d) All of the above.

67. Opening stock 90,000
Purchases during the year 2,70,000
Closing stock 1,10,000
CALCULATE Inventory turnover ratio.
(a) 2 (b) 2.5 (c) 3 (d) 1.5

68. The Average no. of days of Inventory holding is calculated as
(a) 365days / Inventory Turnover Ratio
(b) 12 months / Inventory Turnover Ratio
(c) Both (a) & (b)
(d) None

69. Opening stock 1.04.2020 - 10,000
Purchase during the year - 52,000
Closing stock 31.03.2021 - 6,000
Calculate the inventory turnover ratio and average number of days for holding inventory.
(a) 6.5 times, 55 days (b) 6.5 times, 146 days (c) 7 times, 52 days (d) 7 times,146 days

70. When the surplus material is returned to the storeroom, it should be accompanied by a document known as
(a) Shop Credit Note (b) Stores Debit Note (c) Both (a) & (b) (d) None

71. _____ method is considered suitable in times of falling price and _____ method is used during inflationary period or period of rising prices.
(a) FIFO and LIFO (b) LIFO and FIFO (c) FIFO and weighted average (d) LIFO and simple

72. 1st April- 200 units @ ₹10 each;
5th April - 150 units @ ₹12 each;
14th April - 210 units @ ₹12 each;
21st April - 50 units @ ₹15 each;
28th April - 140 units @ ₹ 11 each.
Calculate issue price under simple average method.
(a) 11 (b) 12 (c) 13 (d) 14

73. Calculate issue price under weighted average method using the data of question 72.
(a) ₹ 11 (b) ₹ 12 (c) ₹ 11.48 (d) ₹ 12.50

74. Market Price Methods includes
(a) Replacement Price Method (b) Realisable Price Method
(c) Standard Price Method (d) Only (a) & (b)

75. Standard cost is usually fixed after taking into consideration the following factors:
(i) Current prices
(ii) Anticipated market trends
(iii) Discount available and transport charges
(a) Only (i) (b) (i) & (ii) (c) (ii) & (iii) (d) (i),(ii),(iii)

76. _____ refers to the loss in the value of an asset due to technological advancements.
(a) Obsolescence (b) Outdated (c) Updated (d) Old

77. Navnath & Company buys its annual requirement of 36,000 units in 6 instalments. Each unit costs ₹ 1 and the ordering cost is ₹25. The inventory carrying cost is estimated at 20% of unit value. CALCULATE the Economic Order Quantity?
(a) 1500 Units (b) 3000 Units (c) 2000 Units (d) 3500 Units

78. Details of lead time: Average- 10 days,
Maximum- 15 days,
Minimum- 5 days, for emergency purchases- 4 days.
Rate of consumption: Average: 1,500 units per day,
Maximum: 2,000 units per day
Calculate the Reordering level.
(a) 35,000 Units (b) 30,000 Units (c) 32,500 Units (d) 31,000 Units

79. Calculate Danger Level and minimum level using the above data.
(a) 6000 , 15000 (b) 15000 , 6000 (c) 6000, 14000 (d) 7000 , 14000

80. VR. Ltd. produces a product which has a monthly demand of 4,000 units. The product requires a component X which is purchased at ₹ 20. For every finished product, one unit of component is required. The ordering cost is ₹ 120 per order and the holding cost is 10% p.a. Calculate EOQ.

(a) 45000 Units (b) 48000 Units (c) 50000 Units (d) 52000 Units

ANSWERS

61	A	71	A
62	D	72	B
63	B	73	C
64	C	74	D
65	D	75	D
66	B	76	A
67	B	77	B
68	C	78	B
69	C	79	A
70	C	80	C

CA Vinod Reddy

81. Answer the questions based on below data from 81 to 83.

Class	% of Total no. of items	% of Total Value
A	10	70
B	20	20
C	70	10
Total	100	100

Calculate the average value per item of Class A, if the store has 6,000 items of consumption and a yearly consumption of Rs. 12,00,000.

(a) Rs. 1,200 (b) Rs. 1,400 (c) Rs. 200 (d) Rs. 300

82. Calculate the average value per item of Class B.

(a) Rs. 1,200 (b) Rs. 1,400 (c) Rs. 200 (d) Rs. 300

83. 82. Calculate the average value per item of Class B.

(a) Rs. 12.50 (b) Rs. 28.50 (c) Rs. 28.57 (d) Rs. 30.20

84. Answer questions from 84 to 88 from the below information.

VR Enterprises requires a special raw material 'ROM'. The following particulars were collected for the year 2027-

a. Monthly requirement for ROM is 250 units
b. Cost of placing order Rs. 100
c. Annual carrying cost per unit Rs. 15
d. Normal usage 50 units per week
e. Minimum usage 25 units per week
f. Maximum usage 75 units per week
g. Re-order period 4 to 6 weeks.

Compute Re-order Quantity.

(a) 100 Units (b) 200 Units (c) 300 Units (d) 400 Units

85. Calculate Re-order Level.

(a) 150 Units (b) 250 Units (c) 350 Units (d) 450 Units

86. Calculate Minimum Level.

(a) 100 Units (b) 200 Units (c) 300 Units (d) 400 Units

87. Calculate Maximum Level.

(a) 550 Units (b) 350 Units (c) 650 Units (d) 150 Units

88. Calculate Average Stock Level.

(a) 300 Units (b) 350 Units (c) 375 Units (d) Both (a) & (c)

89. Answer the questions based on below data from 89 to 91.

The following data relating to inventory costs have been established for Sushil Ltd.

i. Order must be placed in multiples of 100 units.
ii. Requirement for the year are 3,00,000 units.
iii. The purchase price per unit is 3.
iv. Carrying cost is 25% of the purchase price of goods.

v. Cost per order placed is 20.
vi. Desired safety stock is 10,000 units, this amount is on hand initially.
vii. Three days are required for delivery.
Calculate EOQ
(a) 1000 Units (b) 2000 Units (c) 3000 Units (d) 4000 Units

90. How many orders should the company place each year?
(a) 15 (b) 45 (c) 75 (d) 95

91. At what inventory level should an order be placed?
(a) 11,000 Units (b) 12,000 Units (c) 13,000 Units (d) 14,000 Units

92. About 50 items are required every day for a machine. A fixed cost of ₹ 50 per order is Incurred for placing an order. The Inventory carrying cost per item amounts to ₹ 0.02 per day. The lead period is 32 days. Compute EOQ.
(a) 500 items (b) 350 items (c) 600 items (d) 150 items

93. Calculate Reorder level using the data of question no. 92.
(a) 1400 items (b) 1500 items (c) 1600 items (d) 1700 items

94. Answer questions from 94 to 96 based on the below data:
Prashant Ltd. produces a product which has a monthly demand of 2,000 units. The product requires a component X which is purchased at 120. For every finished product, two units of component is required. The ordering cost is ₹120 per order and the holding cost is 10% p.a. Calculate Economic order quantity.
(a) 2400 Units (b) 2500 Units (c) 2600 Units (d) 2700 Units

95. The minimum lot size to be supplied is 4,000 units, what is the extra cost, the company has to incur?
(a) ₹ 650 (b) ₹ 640 (c) ₹ 600 (d) ₹ 680

94. What is the minimum carrying cost, the company has to incur?
(a) ₹ 2400 (b) ₹ 2500 (c) ₹ 2600 (d) ₹ 2700

95. The following data are available in respect of material X for the year ended 31 March, 2028.

Particulars	₹
Opening stock	90,000
Purchases during the year	2,70,000
Closing	1,10,000

Calculate Inventory turnover ratio
(a) 1.50 times (b) 2 times (c) 2.50 times (d) 3 times

96. Calculate the number of days for which the average inventory is held in the above question.
(a) 36 days (b) 72 days (c) 146 days (d) 200 days

97. Total requirement of raw material = 12,000 units p.a. ; Purchase Cost p.u. = 10
Carrying Cost p.u = 2% of purchase cost. Find - Economic order quantity, if ordering cost per order is 75.
(a) 1000 Units (b) 2000 Units (c) 3000 Units (d) 4000 Units

98. Actual (Inventory) requirement of raw material = 25,000 units
Order Cost per order = ₹ 300
Carrying cost per unit = 1% per month
Purchase cost per unit = 2
Find EOQ.
(a) 7,900 units (b) 7,906 units (c) 7901 units (d) 7990 units

99. Find total inventory management cost if order size is 5,000 units & seller gives discount of 3% in the above data of question no. 98.
(a) ₹ 50,500 (b) ₹ 50,580 (c) ₹ 50,582 (d) ₹ 50,590

100. A publishing house purchases 72,000 rims of a special type of paper per annum at cost ₹ 90 per rim. Ordering Cost per order is ₹ 500 and the carrying cost is 5% per year of the inventory cost.
Calculate the Economic Order Quantity (EOQ).
(a) 1000 Units (b) 2000 Units (c) 3000 Units (d) 4000 Units

CA Vinod Reddy

ANSWERS

81	B	91	C
82	C	92	A
83	C	93	B
84	B	94	A
85	D	95	C
86	B	96	C
87	A	97	C
88	D	98	B
89	D	99	C
90	C	100	D

CA Vinod Ready

101. Answer questions from 101 to 104 based on below data

PARTICULARS	MINIMUM	AVERAGE	MAXIMUM
Usage rate (kgs/day)	10	12	14
Lead Time (days)	2	3	4

ROQ = 300 units. Calculate ROL.
(a) 50 kgs (b) 56 kgs (c) 58 kgs (d) 60 kgs

102. Calculate Maximum level
(a) 330 kgs (b) 336 kgs (c) 338 kgs (d) 360 kgs

103. Calculate Minimum level
(a) 20 kgs (b) 30 kgs (c) 40 kgs (d) 60 kgs

104. Calculate Average level.
(a) 170 kgs (b) 175 kgs (c) 178 kgs (d) Both (a) & (c)

105. Answer questions from 105 to 107 based on below data:
Annual requirement = 20,000 units
Ordering cost per order = Rs. 100
Purchase cost per unit = Rs. 1,000
Carrying cost p.u.p.a. = 10%
Calculate EOQ.
(a) 200 units (b) 300 units (c) 400 units (d) 600 units

106. Calculate total inventory management cost.
(a) 2,00,00,000 (b) 2,00,20,000 (c) 2,20,20,000 (d) 2,00,00,200

107. Calculate total of ordering and carrying cost if company follows EOQ.
(a) 20,000 (b) 30,000 (c) 50,000 (d) 50,200

108. Annual demand = 5,000 units
Ordering cost per order = Rs. 16
Unit price = Rs. 20
Storage rate = 2% p.a.
Interest rate = 12% p.a.
Obsolescence rate = 6% p.a.
Calculate EOQ.
(a) 200 units (b) 300 units (c) 400 units (d) 600 units

109. Amit Limited produces Product 'P'. It uses annually 60,000 units of a Material 'Rex' costing 10 per unit. Other relevant information are:

Cost of Placing an Order	800 per order
Carrying Cost	15% per annum of average inventory
Re-order Period	10 days
Safety Stock	600 units

The company operates 300 days in a year. Calculate EOQ.
(a) 6000 units (b) 7000 units (c) 8000 units (d) 9000 units

110. Calculate Maximum Stock
(a) 8600 units (b) 7050 units (c) 6600 units (d) 9050 units

ANSWERS

101	B
102	B
103	A
104	D
105	A
106	B
107	A
108	A
109	C
110	A

CA Vinod Reddy

1. Idle time is the time under which
(a) Full wages are paid to workers
(b) No productivity is given by the workers
(c) Both (a) and (b)
(d) None of the above

2. Cost of idle time due to non- availability of raw material is-
(a) Charged to overhead costs
(b) Charged to respective jobs
(c) Charged to costing profit and loss account
(d) None of the above

3. Time and motion study is conducted by-
(a) Time keeping department
(b) Personnel department
(c) Payroll department
(d) Engineering department

4. Identify, which one of the following, does not account for increasing labour productivity-
(a) Job satisfaction
(b) Motivating workers
(c) High labour turnover
(d) Proper supervision and control

5. Labour turnover is measured by-
(a) Number of persons replaced/ average number of workers
(b) Numbers of persons separated / number of workers at the beginning of the year
(c) (Number of persons replaced + number of persons separated)/(number of persons at the beginning + the number of persons at the end of the year)
(d) None of the above

6. Time booking refers to a method wherein _____ of an employee is recorded.
(a) Attendance
(b) Food expenses
(c) Health status
(d) Time spent on a particular job

7. Employee Cost includes-
(a) Wages and salaries
(b) Allowances and incentives
(c) Payment for overtime
(d) All of the above

8. If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives-
(a) More wages to workers under Rowan plan than Halsey plan
(b) More wages to workers under Halsey plan than Rowan plan
(c) Equal wages under two plans
(d) None of the above

9. Standard time of a job is 60 hours and guaranteed time rate is ₹0.30 per hour. What is the amount of wages under Rowan plan if job is completed in 48 hours?
(a) ₹ 16.20 (b) ₹ 17.28 (c) ₹ 18.00 (d) ₹ 14.40

10. Important factors for control of employee cost can be-
(a) Time and Motion Study
(b) Control over idle time and overtime
(c) Control over employee turnover
(d) All of the above

11. Out of the following methods attendance is marked by recognizing an employee based on physical and behavioural traits-
(a) Punch Card Attendance method
(b) Bio- Metric Attendance system
(c) Attendance Register method
(d) Token Method

12. If overtime is required for meeting urgent orders, the overtime premium should be charged as-
(a) Respective job (b) Overhead cost (c) Costing P& L A/c (d) None of above

13. If overtime is resorted to make up a shortfall in production due to wrong estimation of sales department, the overtime premium paid is charged to:
(a) The production department as overhead cost.
(b) All the departments on the basis of labour hours.
(c) The sales department as overhead cost.
(d) Costing profit and loss account.

14. Idle time which arises due to loss of time between factory gate and the place of work is:
(a) Normal idle time and is treated as part of cost of production.
(b) Abnormal idle time and is treated as item of profit & loss a/c.
(c) Normal idle time and is not treated as part of cost of production
(d) Normal idle time and is treated as item of profit & loss a/c.

15. Idle time which arises due to time interval between one job and another is
(a) Normal idle time and is treated as part of cost of production.
(b) Abnormal idle time and is treated as item of profit & loss a/c.
(c) Normal idle time and is not treated as part of cost of production.
(d) Normal idle time and is treated as item of profit & loss a/c

16. Idle time which arises due to setting up time for the machine is:
(a) Normal idle time and is treated as part of cost of production.
(b) Abnormal idle time and is treated as item of profit & loss a/c.
(c) Normal idle time and is not treated as part of cost of production.
(d) Normal idle time and is treated as item of profit & loss a/c.

17. If overtime is resorted at the desire of the customer, the overtime premium paid is charged to:
(a) The concerned department as overhead cost.
(b) The job (customer order) directly.
(c) All the departments on the basis of labour hours.
(d) Costing profit and loss account.

18. Idle time which arises due to non-availability of raw materials, strikes, lockouts, poor supervision, fire, flood etc. is:
(a) Normal idle time and is treated as part of cost of production.
(b) Abnormal idle time and is treated as item of profit & loss a/c.
(c) Normal idle time and is not treated as part of cost of production.
(d) Normal idle time and is treated as item of profit & loss a/c.

19. Which of the following is not an avoidable cause of labour turnover
(a) Dissatisfaction with Job
(b) Lack of training facilities
(c) Low wages and allowances
(d) Disability, making a worker unfit for work

20. If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives
(a) More wages to workers under Rowan plan than Halsey plan
(b) More wages to workers under Halsey plan than Rowan plan
(c) Equal wages under two plans
(d) None of the above

CA Vinod Ready

ANSWERS

1	C	11	B
2	C	12	A
3	D	13	C
4	C	14	A
5	A	15	A
6	D	16	A
7	D	17	B
8	A	18	B
9	B	19	D
10	D	20	A

CA Vinod Ready

21. If overtime is resorted to meet the sudden demand on account of an earthquake, the overtime premium paid is charged to:
(a) The production department as overhead cost.
(b) All the departments on the basis of labour hours.
(c) The sales department as overhead cost.
(d) Costing profit and loss account.

22. Idle time which arises due to power failure, break- down of machines is:
(a) Normal idle time and is treated as part of cost of production.
(b) Abnormal idle time and is treated as item of profit & loss a/c.
(c) Normal idle time and is not treated as part of cost of production.
(d) Normal idle time and is treated as item of profit & loss a/c.

23. Employee cost includes
(i) Wages and salary
(ii) Allowances and incentives
(iii) Payment for overtimes
(iv) Employer's contribution to Provident fund and other welfare funds
(a) Only (i) (b) (i),(ii) & (iv) (c) (ii) , (iii) (d) (i), (ii), (iii), (iv)

24. Benefits paid or payable to the employees which can be attributed to a cost object in an economically feasible manner is known as
(a) Indirect Employee Costs (b) Direct Employee Costs (c) Explicit Employee Costs (d) Both (b) & (c)

25. Benefits paid or payable to the employees, which cannot be directly attributable to a particular cost object in an economically feasible manner
(a) Indirect Employee Costs (b) Direct Employee Costs (c) Implicit Employee Costs (d) Both (a) & (c)

26. The functions of Personnel Department is
(a) To ensures that the persons recruited possess the requisite qualification and skills required for the job.
(b) To prepares plans and specifications for each job.
(c) To maintain the attendance records
(d) To providing training and guidance to the employees.

27. The function of payroll department includes
(a) The preparation of payroll of the employees.
(b) It disburses salary and wage payments.
(c) Both (a) & (b)
(d) None of the above

28. _____ refers to break up of time on various jobs.
(a) Time Booking (b) Time Keeping (c) Attendance (d) Time Recording

29. _____ implies a record of total time spent by the employees in a factory.
(a) Time Booking (b) Time Keeping (c) Attendance (d) Time Recording

30. The objectives of timekeeping are
(a) For the preparation of payrolls
(b) For calculating overtime
(c) For ascertaining and controlling employee cost
(d) All of the above

31. Manual method of time keeping includes
(a) Attendance Register method
(b) Metal Disc/ Token method
(c) Punch Card Attendance
(d) Both (a) & (b)

32. Under _____method, an attendance register is kept to record the arrival and departure time of an employee.
(a) Attendance Register method
(b) Metal Disc
(c) Punch Card Attendance
(d) Token method

33. Under _____ system attendance is marked by recognizing an employee on the basis of physical and behavioural traits.
(a) Bio-metric attendance
(b) Metal Disc
(c) Punch Card Attendance
(d) Token method

34. The time during which no production is carried-out because the worker remains idle but are paid is known as
(a) Idle Time
(b) Normal Time
(c) Abnormal Time
(d) None of the above

35. Work done beyond normal working hours is known as _____.
(a) Extra Work
(b) Overtime Work
(c) Abnormal Work
(d) Special Work

36. Overtime Payment can be calculated as
(a) Wages paid for overtime at normal rate
(b) Wages paid for overtime at normal rate * 2
(c) Wages paid for overtime at normal rate + Premium (extra) payment for overtime work
(d) Premium (extra) payment for overtime work * 2

CA Vinod Ready

37. CALCULATE the earnings of Anushka from the following particulars
Basic Wages - 10,000
Dearness Allowance - 50%
Contribution to provident Fund (on basic wages) - 8%
Contribution to Employee's State Insurance (on basic wages) - 2%
Overtime (Hours) - 10
The normal working hours for the month are 200. Overtime is paid at double the total of normal wages and dearness allowance.
(a) 15000 rupees (b) 15500 rupees (c) 16000 rupees (d) 16500 Rupees

38. Under _____ system, the workers are paid on time basis i.e. hour, day, week, or month.
(a) Straight Time Rate System
(b) Straight Piece Rate System
(c) Premium Bonus Method
(d) Group bonus scheme

39. Under _____ system, each operation, job or unit of production is termed a piece.
(a) Straight Time Rate System
(b) Straight Piece Rate System
(c) Premium Bonus Method
(d) Group bonus scheme

40. Earnings under Halsey Premium plan is calculated as
(a) Wages = Time taken × Rate per hour + (Time Saved / Time Allowed) × Time taken × Rate per hour
(b) Wages = Time Worked (Hours/ Days/ Months) × Rate for the time
(c) Wages = Time taken × Time rate + 50% of time saved × Time rate
(d) Wages = Number of units produced × Rate per unit

CA Vinod Ready

ANSWERS

21	D	31	D
22	B	32	A
23	D	33	A
24	B	34	A
25	A	35	B
26	A	36	C
27	C	37	B
28	A	38	A
29	B	39	B
30	D	40	C

CA Vinod Ready

41. Earnings under Straight Time Rate System is calculated as
(a) Wages = Time taken × Rate per hour + (Time Saved / Time Allowed) × Time taken × Rate per hour
(b) Wages = Time Worked (Hours/ Days/ Months) × Rate for the time
(c) Wages = Time taken × Time rate + 50% of time saved × Time rate
(d) Wages = Number of units produced × Rate per unit

42. Earnings under Straight Piece Rate System is calculated as
(a) Wages = (Time taken × Rate per hour) + [(Time Saved / Time Allowed) × Time taken × Rate per hour]
(b) Wages = Time Worked (Hours/ Days/ Months) × Rate for the time
(c) Wages = Time taken × Time rate + 50% of time saved × Time rate
(d) Wages = Number of units produced × Rate per unit

43. Earnings under Rowan Premium Plan System is calculated as
(a) Wages = (Time taken × Rate per hour) + [(Time Saved / Time Allowed) × Time taken × Rate per hour]
(b) Wages = Time Worked (Hours/ Days/ Months) × Rate for the time
(c) Wages = Time taken × Time rate + 50% of time saved × Time rate
(d) Wages = Number of units produced × Rate per unit

44. CALCULATE the earnings of a worker under Rowan System.
Time rate (per Hour) ` 60.
Time allowed 8 hours.
Time taken 6 hours.
Time saved 2 hours.
(a) 500 (b) 450 (c) 350 (d) 400

45. CALCULATE the earnings of a worker under Halsey System using the data of above question.
(a) 500 (b) 450 (c) 350 (d) 420

46. A skilled worker in XYZ Ltd. is paid a guaranteed wage rate of ` 30 per hour. The standard time per unit for a particular product is 4 hours. Mr. P, a machine man, has been paid wages under the Rowan Incentive Plan and he had earned an effective hourly rate of ` 37.50 on the manufacture of that particular product. STATE what could have been his total earnings , had he been put on Halsey Incentive Scheme (50%)?
(a) 100 (b) 105 (c) 200 (d) 250

47. CALCULATE the Employee hour rate from the following data:
Basic pay ` 10,000 p.m.
D.A. ` 3,000 p.m.
Fringe benefits ` 1,000 p.m.
Number of working days in a year 300. 20 days are availed off as holidays on full pay in a year. Assume a day of 8 hours.
(a) 70 (b) 75 (c) 80 (d) 95

48. Efficiency in % or Employee Productivity is calculated as
(a) (Time allowed as per standard / Time Taken) ×100
(b) (Time Taken / Time allowed as per standard) ×100
(c) Either (a) or (b)
(d) None

49. The factors which must be taken into consideration for increasing employee productivity are
(a) Employing only those workers who possess the right type of skill.
(b) Placing a right type of person to a right job.
(c) Training young and old workers by providing them the right types of opportunities.
(d) All of the above

50. _____ in an organisation is the rate of change in the composition of employee force during a specified period measured against a suitable index.
(a) Employee turnover (b) labour turnover (c) Both (a) & (b) (d) None

51. Labour turnover under Replacement method is calculated as
(a) (No. of employees Replaced during the period/ Average no. of employees during the period on roll) ×100
(b) (No. of employees Separated during the period/ Average no. of employees during the period on roll) ×100
(c) [(No. of employees Separated+ No. of employees Replaced during the period)/ Average number of employees during the period on roll] ×100
(d) None of the above

52. Labour turnover under Separation method is calculated as
(a) (No. of employees Replaced during the period/ Average no. of employees during the period on roll) ×100
(b) (No. of employees Separated during the period/ Average no. of employees during the period on roll) ×100
(c) [(No. of employees Separated+ No. of employees Replaced during the period)/ Average number of employees during the period on roll] ×100
(d) None of the above

53. Labour turnover under Flux method is calculated as
(a) (No. of employees Replaced during the period/ Average no. of employees during the period on roll) ×100
(b) (No. of employees Separated during the period/ Average no. of employees during the period on roll) ×100
(c) [(No. of employees Separated+ No. of employees Replaced during the period)/ Average number of employees during the period on roll] ×100
(d) None of the above

54. Equivalent annual employee turnover rate may be calculated as
(a) (Employee Turnover rate for the period/Number of days in the period) ×365
(b) (Number of days in the period / Employee Turnover rate for the period) ×365
(c) (No. of employees Replaced during the period/ Average no. of employees during the period on roll) ×100
(d) (No. of employees Separated during the period/ Average no. of employees during the period on roll) ×100

55. The Accountant of Y Ltd. has computed employee turnover rates for the quarter ended 31st March, 2027 as 10%, 5% and 3% respectively under 'Flux method', 'Replacement method' and 'Separation method' respectively. If the number of workers replaced during that quarter is 30, FIND OUT the number of workers recruited and joined for the quarter.

(a) 42 (b) 18 (c) 600 (d) 12

56. FIND OUT the number of workers left and discharged during the quarter using the data of above question.

(a) 42 (b) 18 (c) 600 (d) 12

57. FIND OUT the Equivalent employee turnover rate for the year under Flux method using the above data.

(a) 20% (b) 12% (c) 40% (d) 15%

58. Cost incurred for prevention of employee turnover includes the following

(a) Cost of medical benefit provided to the employees

(b) Cost incurred on employees' welfare like pension etc.

(c) Cost on other benefits with an objective to retain employees

(d) All of the above

59. _____ is the amount of extra payment paid to an employee for extra work.

(a) Extra Payment (b) Overtime Premium (c) Special Wages (d) Abnormal Wages

60. Employee turnover including accessions can be calculated as

(a) (No. of Separation+ No. of Replacements+ No. of new joinings / Average no. of employees during the period on roll) × 100

(b) (Number of separations + number of accessions/ Average number of employees) × 100

(c) Both (a) & (b)

(d) None

CA Vinod Ready

ANSWERS

41	B	51	A
42	D	52	B
43	A	53	C
44	B	54	A
45	D	55	A
46	B	56	B
47	B	57	C
48	A	58	D
49	D	59	B
50	C	60	C

CA Vinod Ready

61. Answer the questions from 61 to 64 based on below details.
Calculate the wages payable to 3 workers A, B & C under different methods of remuneration.
Time rate = Rs. 30 per hour
Std time allowed for one piece is 20 mins
Production made by workers in a day of 8 hrs is
A- 30 units, B- 24 units, C- 20 units
Calculate wages of A using Time rate system.
(a) Rs. 200 (b) Rs. 240 (c) Rs. 280 (d) Rs. 300

62. Calculate wages of A using Piece rate system.
(a) Rs. 200 (b) Rs. 240 (c) Rs. 280 (d) Rs. 300

63. Calculate wages of C using Halsey's premium plan system.
(a) Rs. 200 (b) Rs. 240 (c) Rs. 280 (d) Rs. 300

64. Calculate wages of B using Rowan's premium plan system.
(a) Rs. 200 (b) Rs. 240 (c) Rs. 280 (d) Rs. 300

65. Answer questions from 65 to 67 using the below data:
In a company, labour records disclosed the following:
No. of employees on 1.04.2027= 1,800
No. of employees on 31.03.2028= 2,200
No. of employees left during the year= 200
No. of employees joined during the year= 600
Out of those joined during the year, 150 were appointed in the place of those, who left the organisation.
Calculate the labour turnover ratio under separation method.
(a) 7.50% (b) 10% (c) 20% (d) 40%

66. Calculate the labour turnover ratio under replacement method.
(a) 7.50% (b) 10% (c) 20% (d) 40%

67. Calculate the labour turnover ratio under flux method.
(a) 7.50% (b) 10% (c) 20% (d) 40%

68. The Cost accountant of ABC Ltd has computed labour turnover rates for the quarter ended 31st March 2027 as 10%, 5% and 3% respectively under Flux method, Replacement method, and separation method respectively. If the number of workers replaced during the quarter is 30, find out the number of workers recruited and joined.
(a) 18 (b) 42 (c) 60 (d) 82

69. Find the number of workers left and discharged in the above data.
(a) 18 (b) 42 (c) 60 (d) 82

70. Standard time p.u. = 20 mins
Actual time taken by worker to produce 200 units = 3000 mins. Find efficiency ratio.
(a) 100% (b) 125% (c) 133.33% (d) 200%

71. Standard time p.u. of output = 2 hours
Actual time taken by worker to produce 20000 units = 8000 hrs. Find efficiency ratio.
(a) 100% (b) 125% (c) 133.33% (d) 200%

72. Standard time p.u. of output = 10 mins
Actual output in 2000 hrs = 20000 units. Find efficiency ratio.
(a) 100% (b) 125% (c) 133.33% (d) 200%

73. Answer questions 73 to 76 using the below data.
Standard time for 1 unit of output = 30 mins
Wage rate per hour = Rs. 600

WORKERS	HOURS WORKED	ACTUAL OUTPUT
A	12 hours	30 units
B	14 hours	40 units
C	9 hours	12 units

Find total wages of worker A using Time rate scheme.
(a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9200

74. Find total wages of worker A using Piece rate scheme.
(a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9000

75. Find total wages of worker C using Halsey's premium plan scheme.
(a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9000

76. Find total wages of worker B using Rowan's premium plan scheme.
(a) Rs. 8640 (b) Rs. 8460 (c) Rs. 5460 (d) Rs. 9460

77. Standard output in 1 hour = 5 units
Actual output in 28 hours = 280 units
Basic wage rate = Rs. 200 per hour
Find effective wage rate per hour as per Halsey's premium plan.
(a) Rs. 200 (b) Rs. 300 (d) Rs. 500 (d) Rs. 585

78. Find effective wage rate per hour as per rowan's premium plan.
(a) Rs. 200 (b) Rs. 300 (d) Rs. 500 (d) Rs. 585

79. Find the total wages under Halsey's premium plan.
(a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9000

80. Find the total wages under Rowan's premium plan.
a) Rs. 7200 (b) Rs. 8400 (c) Rs. 5400 (d) Rs. 9000

ANSWERS

61	B	71	C
62	D	72	B
63	B	73	A
64	B	74	D
65	B	75	C
66	A	76	A
67	D	77	B
68	B	78	B
69	A	79	B
70	C	80	B

CA Vinod Ready

81. Standard Time for a job is 80 hours. The hourly rate of guaranteed wage is Rs. 100 per hour. Because of saving in time, Mr. A gets an hourly rate of total wage at 125 per hour under Rowan's Scheme. For the same saving in time, calculate hourly rate of wages under Halsey's scheme.
(a) Rs. 110 (b) Rs. 116.6667 (c) Rs. 133.33 (d) Rs. 150

82. A skilled worker is paid a guaranteed wage rate of Rs. 120 per hour. The standard time allowed for a job is 6 hours. He took 5 hours to complete the job. He is paid wages under Rowan Incentive Plan.
Calculate his effective hourly rate of earnings under Rowan Incentive Plan.
(a) Rs. 120 (b) Rs. 140 (c) Rs. 160 (d) Rs. 180

83. Answer the question based on the data of above question 82.
If the worker is placed under Halsey incentive scheme (50%) and he wants to maintain the same effective hourly rate of earnings, calculate the time in which he should complete the job.
(a) 2 Hrs (b) 3.50 Hrs (c) 4.50 Hrs (d) 5 Hrs

84. The Accountant of the company had computed Labour Turnover Rates for the quarter ended 30th September as 14%, 8%, and 6% under Flux, Replacement and Separation Methods respectively. If the number of workers replaced during the said quarter of the year is 36.
Find Number of workers recruited and joined.
(a) 36 workers (b) 40 workers (c) 27 workers (d) 50 workers

85. Find Number of workers left and discharged in the above data.
(a) 36 workers (b) 40 workers (c) 27 workers (d) 50 workers

86. Answer questions from 86 to 89 using the below data.
Following information is given of a newly setup organization for the year ended on 31st March, 2027.

Number of workers replaced during the period	50
Number of workers left and discharged during the period	25
Average number of workers on the roll during the period	500

Calculate the Employee Turnover Rates using Separation Method.
(a) 5% (b) 10% (c) 15% (d) 20%

87. Calculate the Employee Turnover Rates using Flux Method.
(a) 5% (b) 10% (c) 15% (d) 20%

88. Calculate equivalent employee turnover rate by separation method.
(a) 20% (b) 30% (c) 60% (d) 90%

89. Calculate equivalent employee turnover rate by flux method.
(a) 20% (b) 30% (c) 60% (d) 90%

90. Answer questions 90 to 93 based on following scenario.

The management of Sunshine Ltd. wants to have an idea of the profit lost/ foregone as a result of labour turnover last year. Last year sales accounted to 66,00,000 and the P/V Ratio was 20%. The total number of actual hours worked by the direct labour force was 3.45 lakhs. As a result of the delays by the Personnel Department in filling vacancies due to labour turnover, 75,000 potentially productive hours were lost. The actual direct labour hours included 30,000 hours attributable to training new recruits, out of which half of the hours were unproductive. The costs incurred consequent on labour turnover revealed on analysis the following:

Particulars	RS.
Settlement cost due to leaving	27,420
Recruitment costs	18,725
Selection costs	12,750
Training costs	16,105

Assuming that the potential production lost due to labour turnover could have been sold at prevailing prices, ascertain the productive labour hours during last year.

(a) 3,45,000 hrs (b) 3,15,000 hrs (c) 3,30,000 hrs (d) 3,10,000 hrs

91. Calculate the contribution per labour hour worked.

(a) Rs. 2 (b) Rs. 3 (c) Rs. 4 (d) Rs. 5

92. Calculate the total contribution foregone on unproductive hours spent on training.

(a) Rs. 50000 (b) Rs. 60000 (c) Rs. 75000 (d) Rs. 80000

93. Calculate the total profit foregone during last year due to labour turnover.

(a) Rs. 3,35,000 (b) Rs. 4,35,000 (c) Rs. 5,00,000 (d) Rs. 5,50,000

94. Answer questions 94 to 97 using the below data

Two workmen, Vishnu and Shiva, produce the same product using the same material. Their normal wage rate is also the same. Vishnu, is paid bonus according to the Rowan system, while Shiva is paid bonus according to the Halsey system. The time allowed to make the product is 100 hours. Vishnu takes 60 hours while Shiva takes 80 hours to complete the product. The factory overhead rate is 10 per man hour actually worked. The factory cost for the product for Vishnu is ₹7,280 and for Shiva it is ₹ 7,600.

You are required to find the normal rate of wages.

(a) Rs. 10 (b) Rs. 20 (c) Rs. 30 (d) Rs. 40

95. Calculate the cost of materials.

(a) Rs. 4000 (b) Rs. 6000 (c) Rs. 5000 (d) Rs. 7000

96. Find the factory cost of the products as made by Vishnu.

(a) Rs. 7000 (b) Rs. 7200 (c) Rs. 7280 (d) Rs. 7820

97. Find the factory cost of the products as made by Shiva.

(a) Rs. 7000 (b) Rs. 7200 (c) Rs. 7400 (d) Rs. 7600

98. Standard time p.u.= 2 hrs
Actual time taken to produce 30 units = 40 hrs
Basic wage rate = Rs. 100 per hour
Calculate total wages payable as per Time rate scheme.
(a) Rs. 2000 (b) Rs. 4000 (c) Rs. 6000 (d) Rs. 8000

99. Calculate total wages payable as per Piece rate scheme using the above data.
(a) Rs. 2000 (b) Rs. 4000 (c) Rs. 6000 (d) Rs. 8000

100. Calculate total wages payable as per Halsey's premium plan scheme.
(a) Rs. 1000 (b) Rs. 4000 (c) Rs. 6000 (d) Rs. 5000

.

CA Vinod Reddy

ANSWERS

81	B	91	C
82	B	92	B
83	C	93	B
84	A	94	B
85	C	95	C
86	A	96	C
87	C	97	D
88	B	98	B
89	D	99	C
90	C	100	D

CA Vinod Ready

EXPERT PROFESSIONAL ACADEMY PVT. LTD. - CA- INTER

4. OVERHEADS

1. "Fixed overhead costs are not affected in monetary terms during a given period by a change in output". But this statement holds good provided
(a) Increase in output is not substantial
(b) Increase in output is substantial
(c) Both (a) and (b)
(d) None of the above

2. _____ capacity is defined as actually utilised capacity of a plant
(a) Theoretical (b) Installed (c) Practical (d) Normal

3. The allotment of whole items of cost to cost centres or cost units is called
(a) Overhead absorption (b) Cost apportionment (c) Cost allocation (d) None of the above

4. Primary packing cost is a part of
(a) Direct material cost (b) Production Cost (c) Selling overheads (d) Distribution overheads

5. Director's remuneration and expenses form part of
(a) Production overhead (b) Administration overhead (c) Selling overhead (d) Distribution overhead

6. Which of the following is not the classification of overhead based on its functionality?
(a) Factory Overhead (b) Administrative Overhead (c) Fixed Overhead (d) Selling Overhead

7. Bad debt is an example of
(a) Distribution overhead (b) Production overhead
(c) Selling overhead (d) Administration overhead

8. Normal capacity of a plant refers to the difference between
(a) Maximum capacity and practical capacity
(b) Practical capacity and normal capacity
(c) Practical capacity and estimated idle capacity as revealed by long term sales trend.
(d) Maximum capacity and actual capacity

9. The difference between actual factory overhead and absorbed factory overhead will be usually at the minimum level, provided pre- determined overhead rate is based on
(a) Maximum capacity (b) Direct labour hours (c) Machine hours (d) Normal

10. Which of the following overhead cost may not be apportioned on the basis of direct wages?
(a) Worker's Holiday Pay (b) Perquisites to worker (c) ESI contribution (d) Managerial Salaries

11. When the amount of under-or-over-absorption is significant, it should be disposed of by
(a) Defer it to the next accounting year
(b) Calculate supplementary rates and charge it to Cost of goods sold, WIP, Finished Goods
(c) Transfer it to costing profit and loss A/c
(d) None of above

12. _____ capacity is defined as actually utilised capacity of a plant.
(a) Theoretical (b) Installed (c) Practical (d) Normal

13. Which of the following is not the classification of overhead based on its functionality?
(a) Factory Overhead (b) Administrative Overhead (c) Fixed Overhead (d) Selling Overhead

14. Research expenses will form part of
(a) Factory overheads
(b) Office and administration overheads
(c) Selling and distribution expenses
(d) Can be part of anyone depending upon the fact and circumstances in each case.

15. Director's remuneration and expenses form part of
(a) Production overhead (b) Administration overhead (c) Selling overhead (d) Distribution overhead

16. Normal capacity of a plant refers to the difference between
(a) Maximum capacity and practical capacity
(b) Practical capacity and normal capacity
(c) Practical capacity and estimated idle capacity as revealed by long term sales trend.
(d) Maximum capacity and actual capacity

17. Charging to a cost centre those overheads that result solely for the existence of that cost Centre is known as
(a) Apportionment (b) Allocation (c) Absorption (d) Allotment

18. Bad debt is an example of
(a) Distribution overhead (b) Production overhead
(c) Selling overhead (d)Administration overhead

19. The allotment of whole items of cost to cost centres or cost units is called:
(a) Overhead absorption (b) Cost apportionment (c) Cost allocation (d) None of the above

20. Fixed overhead costs are not affected in monetary terms during a given period by a change in output". But this statement holds good provided:
(a) Increase in output is not substantial
(b) Increase in output is substantial
(c) Both (a) and (b)
(d) None of the above

ANSWERS

1	A	11	B
2	C	12	C
3	C	13	C
4	B	14	D
5	B	15	B
6	C	16	C
7	C	17	B
8	C	18	C
9	D	19	C
10	D	20	A

CA Vinod Ready

21. The difference between actual factory overhead and absorbed factory overhead will be usually at the minimum level, provided pre- determined overhead rate is based on
(a) Maximum capacity (b) Direct labour hours (c) Machine hours (d) Normal capacity

22. Primary packing cost is a part of
(a) Direct material cost (b) Production Cost (c) Selling overheads (d) Distribution overheads

23. The accountant for Brilliant Tools Ltd applies overhead based on machine hours. The budgeted overhead and machine hours for the year are 130,000 and 8,000, respectively. The actual overhead and machine hours incurred were 137,500 and 10,000. The cost of goods sold and inventory data compiled for the year is as follows:- Direct Material 25,000 Cost of Goods Sold 225,000 Units: WIP 50,000 and Finished Goods 75,000 What is the amount of over/underapplied overhead for the year?
(a) Overapplied by 25,000
(b) Underapplied by 25,000
(c) Overapplied by 32,500
(d) Underapplied by 32,500

24. _____refers to the maximum capacity of producing goods or services.
(a) Rated Capacity (b) Normal Capacity (c) Practical capacity (d) Actual Capacity

25. Which of the following overhead cost may not be apportioned on the basis of direct wages?
(a) Workers Holiday Pay (b) Perquisites to worker (c) ESI contribution (d) Managerial Salaries

26. Stock keeping expenses is an example of _____.
(a) Office and Administrative Overheads
(b) Manufacturing or Production Overhead
(c) Selling and Distribution Overheads
(d) Packing and Quality Overheads

27. Lease rental in case of operating lease is an example of _____.
(a) Office and Administrative Overheads
(b) Manufacturing or Production Overhead
(c) Selling and Distribution Overheads
(d) Packing and Quality Overheads

28. Depreciation of building and plant and equipment is an example of _____.
(a) Office and Administrative Overheads
(b) Manufacturing or Production Overhead
(c) Fixed Overheads
(d) Variable Overheads

29. Materials which do not normally form part of the finished product (cost object) are known as_____.
(a) Direct Materials (b) Indirect materials (c) Hidden Materials (d) Imputed Cost

30. Costs which can be controlled by the implementation of appropriate managerial influence and proper policies
(a) Uncontrollable Costs (b) Controllable Costs (c) Manageable Costs (d) Indirect Costs

31. The sources available for the collection of factory overheads may include
(a) Invoices (b) Stores requisition (c) Wage analysis book (d) Journal entries
(e) All of the above

32._____ is the process or operation or activity and_____ is the incurrence of cost.
(a) Effect, Cause (b) Result, Cause (c) Cause, Effect (d) Cause, Affect

33. Cost _____implies "the allotment of proportions of items of cost to cost centres or departments.
(a) Apportionment (b) Allocation (c) Reapportionment (d) Distribution

34. Cost _____ refers to the direct assignment of cost to a cost object which can be traced directly.
(a) Apportionment (b) Allocation (c) Reapportionment (d) Distribution

35. _____ are those departments which do not directly take part in the production of goods or providing services.
(a) Service departments (b) Production departments
(c) Sales Departments (d) Cash Departments

36. The process of assigning service department overheads to production departments is called _____.
(a) Reassignment (b) Apportionment (c) Reapportionment (d) Both (a) & (c)

37. The variable manufacturing overheads shall be absorbed on the basis of _____ and the fixed manufacturing overhead shall be absorbed on the basis of _____.
(a) Actual production, Normal capacity (b) Normal capacity, Actual production
(c) Actual production, Abnormal Capacity (d) Normal capacity, Standard production

38. General overheads can be apportioned on the basis of
(a) Direct labour hour (b) Direct wages (c) Machine hours (d) All of the above

39. The re-apportionment of the service department cost to the production department is known as _____ distribution.
(a) Primary (b) Secondary (c) Third (d) Last

40. Methods for Re-apportionment include
(a) Direct re-distribution method
(b) Step method of secondary distribution or non-reciprocal method
(c) Reciprocal Service method
(d) All of the above

ANSWERS

21	D	31	E
22	B	32	C
23	A	33	A
24	A	34	B
25	D	35	A
26	B	36	D
27	A	37	A
28	C	38	D
29	B	39	B
30	B	40	D

CA Vinod Ready

41. Under _____ method, costs are apportioned over the production departments only, ignoring the services rendered by one service department to the other.
(a) Step method or nonreciprocal method
(b) Simultaneous Equation method
(c) Repeated distribution method
(d) Direct Re-Distribution Method

42. Under which method, the cost of the service department that serves the largest number of services to the other service department(s) and production department(s) is distributed first. Then, the cost of service department serving the next largest number of departments is apportioned and the process continues till the cost of last service department is apportioned where The cost of last service department is apportioned among production departments only.
(a) Step method or nonreciprocal method
(b) Simultaneous Equation method
(c) Repeated distribution method
(d) Direct Re-Distribution Method

43. According to _____ method firstly, the costs of service departments are ascertained. These costs are then re-distributed to production departments on the basis of given percentages.
(a) Step method or nonreciprocal method
(b) Simultaneous Equation method
(c) Repeated distribution method
(d) Direct Re-Distribution Method

44. Methods of Absorption of Overheads include
(a) Percentage of direct materials
(b) Percentage of prime cost
(c) Percentage of direct labour cost
(d) All of the above

45. Under _____ method, the cost of direct material consumed is the base for calculating the amount of overhead absorbed
(a) Percentage of direct materials
(b) Percentage of prime cost
(c) Percentage of direct labour cost
(d) Labour hour rate

46. Overhead rate under Percentage of direct materials method is calculated as
(a) (Total Production Overheads of a Department/ Budgeted Direct Material cost of all products) ×100
(b) (Total Production Overheads of a Department/ Prime cost) ×100
(c) (Budgeted Direct Material cost of all products/ Total Production Overheads of a Department) ×100
(d) (Prime cost / Total Production Overheads of a Department) ×100

47. Overhead rate under Percentage of prime cost method is calculated as
(a) (Total Production Overheads of a Department/ Budgeted Direct Material cost of all products) ×100
(b) (Total Production Overheads of a Department/ Prime cost) ×100
(c) (Budgeted Direct Material cost of all products/ Total Production Overheads of a Department) ×100
(d) (Prime cost / Total Production Overheads of a Department) ×100

48. Overhead rate under Percentage of Direct Labour cost method is calculated as
(a) (Total Production Overheads of a Department/ Budgeted Direct Material cost of all products) ×100
(b) (Total Production Overheads of a Department/ Prime cost) ×100
(c) (Budgeted Direct Material cost of all products/ Total Production Overheads of a Department) ×100
(d) (Total Production Overheads of a Department/ Direct Labour cost) ×100

49. Overhead rate under Percentage of Direct Labour hour method is calculated as
(a) (Total Production Overheads of a Department/ Budgeted Direct Material cost of all products) × 100
(b) (Total Production Overheads of a Department/ Prime cost) × 100
(c) (Total Production Overheads of a Department/ Direct Labour Hour) × 100
(d) (Total Production Overheads of a Department/ Direct Labour cost) ×100

50. Overhead rate under Rate per unit of output method is calculated as
(a) Amount of overheads/ Number of units
(b) (Total Production Overheads of a Department/ Number of units) × 100
(c) (Amount of overheads / Direct Labour Hour) × 100
(d) (Amount of overheads / Direct Labour cost) ×100

51. _____ refers to the computation of one single overhead rate for the whole factory.
(a) Departmental Overhead Rate
(b) Blanket Overhead rate
(c) Common Overhead rate
(d) Uniform Overhead rate

52. _____ refers to the computation of one single overhead rate for a particular production unit or department.
(a) Departmental Overhead Rate
(b) Blanket Overhead rate
(c) Common Overhead rate
(d) Uniform Overhead rate

53. _____ refers to the maximum capacity of producing goods or providing services.
(a) Practical Capacity (b) Installed capacity (d) Normal capacity (d) Idle capacity

54. _____is defined as actually utilised capacity of a plant.
(a) Practical Capacity (b) Installed capacity (d) Normal capacity (d) Idle capacity

55. _____ is also known as theoretical capacity.
(a) Practical Capacity (b) Installed capacity (d) Normal capacity (d) Idle capacity

56. Practical Capacity is also known as _____ capacity.
(a) Non-Operating Capacity (b) Installed capacity (d) Operating capacity (d) Idle capacity

57. _____ is the volume of production or services achieved or achievable on an average over a period under normal circumstances.
a) Practical Capacity (b) Installed capacity (d) Normal capacity (d) Idle capacity

58. _____ is that part of the capacity of a plant, machine or equipment which cannot be effectively utilised in production.
a) Practical Capacity (b) Installed capacity (d) Normal capacity (d) Idle capacity

59. _____ is the difference between Installed capacity and Normal capacity.

a) Idle Capacity (b) Normal Idle capacity (c) Abnormal capacity (d) Actual capacity

60. _____ is the difference between Normal capacity and Actual capacity utilization where the actual capacity is lower than the normal capacity.

a) Idle Capacity (b) Normal Idle capacity (c) Abnormal capacity (d) Actual capacity

ANSWERS

41	D	51	B
42	A	52	A
43	B	53	B
44	D	54	A
45	A	55	B
46	A	56	C
47	B	57	C
48	D	58	D
49	C	59	B
50	A	60	C

CA Vinod Ready

61. Director's remuneration and expenses form a part of
(a) Production overheads
(b) Administration overheads
(c) Selling overheads
(d) Distribution overheads

62. Salary of foreman should be classified as
(a) Fixed overheads
(b) Variable overheads
(c) Semi-variable or semi-fixed overheads
(d) None of the above

63. Absorption of overheads means
(a) Charging of overheads to cost centres
(b) Charging of overheads to cost unit
(c) Charging of overheads to cost centres & cost units
(d) None of the above

64. Which of the following is a service department
(a) Refining department
(b) Machining department
Receiving department
(d) Finishing department

65. Which method of absorption of factory overheads do you suggest in a concern which produces only one uniform item of product
(a) Percentage of direct wages basis
(b) Direct labour hour rate
(c) Machine hour rate
(d) Rate per unit of output

66. When the amount of under or over absorption of overheads is significant, it should be disposed off by
(a) Transferring to costing profit and loss account
(b) The use of supplementary rate
(c) Carrying over as a deferred charge to next accounting year
(d) Any of the above

67. Maximum possible productive capacity of a plant when no operating time is lost is its
(a) Practical capacity
(b) Normal capacity
(c) Theoretical capacity
(d) Capacity based on sales expectancy

CA Vinod Ready

68. When the amount of overheads absorbed is less than the amount of overheads incurred, it is called
(a) Over absorption of overheads
(b) Under absorption of overhead
(c) Carry forward of overheads
(d) None of the above

69. Which method of absorption of factory overheads do you suggest in a concern which produces five different variety of products, all requiring different machine hours
(a) Percentage of direct wages basis
(b) Direct labour hour rate
(c) Machine hour rate
(d) Rate per unit of output

70. Factory overheads should generally be absorbed on the basis of
(a) Relationship to cost incurred
(b) Direct labour hour rate
(c) Machine hour rate
(d) Rate per unit of output

71. What is the basis for distribution of indirect material cost to various departments
(a) Direct allocation
(b) Cost of direct material consumed
(c) Machine hours worked
(d) Any of the above

72. What is the basis for distribution of electricity cost to various departments
(a) Direct allocation
(b) Labour hours worked
(c) Machine hours worked
(d) Number of light points

73. Which of the following is not a method of re-apportionment of overheads
(a) Direct redistribution method
(b) Step ladder method
(c) Simultaneous equation method
(d) Percentage of labour cost method

74. Which of the following is not a method of absorption of overheads
(a) Repeated distribution method
(b) Direct labour hour rate
(c) Machine hour rate
(d) Rate per unit of output

CA Vinod Ready

75. Overhead absorption rate is 15 per machine hour and the actual machine hours worked period are 2,500. Actual overheads incurred during the same period are 13,500. There is
(a) Over absorption of overheads by ₹1,000
(b) Under absorption of overheads by ₹1,000
(c) Under absorption of overheads by 12,500
(d) None of the above

76. _____ is most commonly used for calculation of OH recovery Rates
(a) Practical capacity
(b) Normal capacity
(c) Theoretical capacity
(d) Idle Capacity

77. Overheads may be defined as specific unit. Including services which cannot conveniently be charged
(a) Direct Costs
(b) Indirect Costs
(c) Both of these
(d) None of these

78. Which of the following are the reasons for classification of OH into Fixed and Variable?
(a) Control over Expenses
(b) Budgeting and Estimates
(c) Decision Making
(d) All of the above

79. Which of the following are the methods of re-apportionment of OH in case of Reciprocal Services?
(a) Simultaneous Equation Method
(b) Repeated Distribution Method
(c) Trial and Error Method
(d) All of the above

80. Which of the following are the methods of re-apportionment of OH in case of Non-reciprocal Services?
(a) Simultaneous Equation Method
(b) Step Ladder Method
(c) Trial and Error Method
(d) Repeated Distribution Method

CA Vinod Reddy

ANSWERS

61	B	71	B
62	A	72	D
63	C	73	D
64	C	74	A
65	D	75	B
66	B	76	B
67	C	77	B
68	B	78	D
69	C	79	D
70	B	80	A

CA Vinod Ready

81. which of the flowing are the methods of re apportionment of OH in case there is no service department?
(a) Simultaneous Equation Method
(b) Step Ladder Method
(c) Trial and Error Method
(d) Direct Redistribution Method

82. Which of the following are the methods of accounting of under / over absorption of OH?
(a) Use of Supplementary Rate
(b) write off to Costing P & L A/c
(c) Carry Forward of OH
(d) All of the above

83. _____ methods of accounting of Administrative OH is followed if it is presumed that administration is not a separate function but only a supportive function to production and sales.
(a) Apportioning OH between Production and Sales department
(b) Charged to Costing P & L A/c
(c) Separately added to Cost of Production
(d) All of the above

84. _____ is a method for controlling Selling & Distribution OH
(a) Trend Analysis
(b) Budgetary Control
(c) Standard Costing
(d) All of the above

85. _____ is a fee paid to the owner of patent for use of technical know-how.
(a) Royalties
(b) Depreciation
(c) Fringe Benefits
(d) None of the above

86. _____ is the diminution in the intrinsic value of an asset due to use and / or lapse of time.
(a) Royalties
(b) Depreciation
(c) Fringe Benefits
(d) None of the above

87. If royalty is paid on a product on per unit basis, then it will form a part of
(a) Direct Material
(b) Indirect Material
(c) Prime Cost
(d) None of the above

88. _____ are the additional benefits or facilities provided to the workers apart from their monetary salary and other allowances.
(a) Royalties
(b) Depreciation
(c) Fringe Benefits
(d) None of the above

89. Training expenses of factory workers are treated as a part of
(a) Cost of Goods Sold
(b) Cost of Production
(c) Prime Cost
(d) None of the above

90. Expenses related to transportation of finished goods may be treated as
(a) Prime Cost
(b) Administrative OH
(c) Selling & Distribution OH
(d) None of the above

91. If night shifts are run due to abnormal circumstances, the additional expenditure should be charges to
a) Costing P & LA/c
(b) Administrative OH
(c) Selling & Distribution OH
(d) Production OH

92. Answer questions from 92 to 100 based on below case scenario.
M/s. Anushka & Co. manufactures product A at the rate of 80 pieces per hour. The company has been producing and selling 1,60,000 units annually during the period 2020 to 2026. However, during the year 2027 the company was able to produce 1,46,000 units only. The company's annual fixed overheads for 2027 amounted to 5,84,000. The company worked on single shift only at 8 hours per day and 6 days a week. The company has declared 13 holidays (other than weekly holidays) during the year 2027. The quarterly preventive maintenance and repairs work involved 77 hours.
Calculate Maximum capacity.
(a) 2,920 Hours (b) 2,092 Hours (c) 2,000 Hours (d) 1,825 Hours

93. Calculate Practical capacity.
(a) 2,920 Hours (b) 2,092 Hours (c) 2,000 Hours (d) 1,825 Hours

94. Calculate Normal capacity.
(a) 2,920 Hours (b) 2,092 Hours (c) 2,000 Hours (d) 1,825 Hours

95. Calculate Actual capacity.
(a) 1,825 Hours (b) 1,850 Hours (c) 175 Hours (d) 1,900 Hours

96. Calculate Idle capacity.
(a) 1,825 Hours (b) 1,850 Hours (c) 175 Hours (d) 1,900 Hours

97. Calculate Overhead recovery rate of Theoretical capacity.
(a) Rs. 200 per hr (b) Rs. 320 per hr (c) Rs. 292 per hr (d) Rs. 279.1587 per hr

98. Calculate Overhead recovery rate of Practical capacity.
(a) Rs. 200 per hr (b) Rs. 320 per hr (c) Rs. 292 per hr (d) Rs. 279.1587 per hr

99. Calculate Overhead recovery rate of Normal capacity.
(a) Rs. 200 per hr (b) Rs. 320 per hr (c) Rs. 292 per hr (d) Rs. 279.1587 per hr

100. Calculate Overhead recovery rate of Actual capacity.
(a) Rs. 200 per hr (b) Rs. 320 per hr (c) Rs. 292 per hr (d) Rs. 279.1587 per hr

CA Vinod Reddy

ANSWERS

81	D	91	A
82	D	92	A
83	A	93	B
84	D	94	C
85	A	95	A
86	B	96	C
87	C	97	A
88	C	98	D
89	B	99	C
90	C	100	B

CA Vinod Ready

EXPERT PROFESSIONAL ACADEMY PVT. LTD. - CA- INTER
5. ACTIVITY BASED COSTING

1. A cost driver is
(a) An item of production overheads
(b) A common cost which is shared over cost centres
(c) Any cost relating to transport
(d) An activity which generates costs

2. In activity based costing, costs are accumulated by activity using:
(a) Cost drivers (b) Cost objects (c) Cost pools (d) Cost benefit analysis

3. A cost driver
(a) Is a force behind the overhead cost
(b) Is an allocation base
(c) Is a transaction that is a significant determinant of cost
(d) All of the above

4. Which of the following is not a correct match
a) Production Scheduling - Number of Production runs
b) Despatching - Number of dispatch orders
c) Goods receiving - Goods received orders
d) Inspection - Machine hours

5. Transactions undertaken by support department personnel are the appropriate cost drivers. Find the one which is not appropriate
(a) The number of purchase, supplies and customers' orders drives the cost associated with new material inventory, work-in-progress and finished goods inventory
(b) The number of production runs undertaken drives production scheduling, inspection and material handling
(c) The quality of raw material issued drives the cost of receiving department costs
(d) The number of packing orders drives the packing costs

6. Steps in ABC include
(a) Identification of activities and their respective costs
(b) Identification of cost driver of each activity and computation of an allocation rate per activity
(c) Allocation of overhead cost to products/ services based on the activities involved
(d) All of the above

7. Which of the following is not a benefit of ABC?
(a) Accurate cost allocation
(b) Improved decision making
(c) Better control on activity and costs
(d) Reduction of prime cost

8. The steps involved for installation of ABC in a manufacturing company include the following except
(a) Borrowing fund
(b) Feasibility study
(c) Building up necessary IT infrastructure and training of line employees
(d) Strategy and value chain analysis

9. Which of the following statements are true
(1) Activity based Management involves activity analysis and performance measurement.
(2) Activity based costing serves as a major source of information in ABM.
(a) (1) True;(2) False (b) (1) True;(2) True (c) (1) False; (2) True (d) (1) False; (2) False

10. The key elements of Activity based budgeting are
(a) Type of activity to be performed
(b) Quantity of activity to be performed
(c) Cost of activity to be performed
(d) All of the above

11. Which of the following is not a benefit of ABC?
(a) Accurate cost allocation
(b) Improved decision making
(c) Better control on activity and costs
(d) Reduction of prime cost

12. Transactions undertaken by support department personnel are the appropriate cost drivers. Find the one which is not appropriate
(a) The number of purchase, supplies and customers orders drives the cost associated with new material inventory, work- in-progress and finished goods inventory
(b) The number of production runs undertaken drives production scheduling, inspection and material handling
(c) The quality of raw material issued drives the cost of receiving department costs
(d) The number of packing orders drives the packing costs

13. In Activity based costing, costs are accumulated by activity using
(a) Cost drivers (b) Cost objects (c) Cost pools (d) Cost benefit analysis

14. ABC analysis is an inventory control technique in which
(a) Inventory levels are maintained.
(b) Inventory is classified into A, B and C category with A being the highest quantity, lowest value.
(c) Inventory is classified into A, B and C Category with A being the lowest quantity, highest value.
(d) Either b or c.

15. The steps involved for installation of ABC in a 0-5 manufacturing company include the following except
(a) Borrowing fund
(b) Feasibility study
(c) Building up necessary IT infrastructure and training of line employees
(d) Strategy and value chain analysis

16. Steps in ABC include
(a) Identification of activities and their respective costs
(b) Identification of cost driver of each activity and computation of an allocation rate per activity
(c) Allocation of overhead cost to products/ services based on the activities involved
(d) All of the above

17. The key elements of activity based budgeting are
(a) Type of activity to be performed
(b) Quantity of activity to be performed
(c) Cost of activity to be performed
(d) All of the above

18. A cost driver is
(a) An item of production overheads
(b) A common cost which is shared over cost centres
(c) Any cost relating to transport
(d) An activity which generates costs

19. The steps involved for installation of ABC in a manufacturing company include the following except
(a) Borrowing fund
(b) Feasibility study
(c) Building up necessary IT infrastructure and training of line employees
(d) Strategy and value chain analysis

20. A cost driver
(a) Is a force behind the overhead cost
(b) Is an allocation base
(c) Is a transaction that is a significant determinant of cost
(d) All of the above

CA Vinod Reddy

ANSWERS

1	D	11	D
2	C	12	C
3	D	13	C
4	D	14	C
5	C	15	A
6	D	16	D
7	D	17	D
8	A	18	D
9	B	19	A
10	D	20	D

CA Vinod Reddy

21. ABC is particularly needed by organisations for product costing in the following situations
(a) High amount of overhead
(b) Wide range of product
(c) Stiff competition
(d) All of the above

22. _____ is an accounting methodology that assigns costs to activities rather than products or services.
(a) Overheads absorption
(b) Activity Based Costing
(c) Marginal Costing
(d) Standard Costing

23. _____ is a factor that causes a change in the cost of an activity.
(a) Cost Pool
(b) Cost Driver
(c) Activity
(d) Object

24. _____ is a measure of the quantity of resources consumed by an activity.
(a) Cost Pool
(b) Cost Driver
(c) Resource Cost Drive
(d) Activity Cost Driver

25. _____ is a measure of the frequency and intensity of demand, placed on activities by cost objects.
(a) Cost Pool
(b) Cost Driver
(c) Resource Cost Drive
(d) Activity Cost Driver

26. _____ represents a group of various individual cost items.
(a) Cost Pool
(b) Cost Driver
(c) Activity
(d) Object

27. Cost Driver for Research and Development can be
(a) Number of research projects
(b) Personnel hours on a project
(c) Both (a) & (b)
(d) None of the above

28. Cost Driver for Design of products, services and procedures can be
(a) Number of products in design
(b) Number of parts per product
(c) Number of engineering hours
(d) All of the above

29. In _____ overheads are first related to cost centres (Production & Service Centres) and then to cost objects.
(a) Traditional absorption costing
(b) Activity Based Costing
(c) Marginal Costing
(d) Standard Costing

30. Maintenance of buildings and Plant security can be considered under which category of activity?
(a) Unit level activities
(b) Batch level activities
(c) Product level activities
(d) Facilities level activities

31. Activity cost driver rate can be calculated as
(a) Total cost of activity / Activity driver
(b) Activity driver / Total cost of activity
(c) Total cost of entity / Total production
(d) None of the above

32. The advantages of using Activity Based Costing are
(a) Overhead allocation is done on logical basis.
(b) It is more expensive, particularly in comparison with traditional costing system.
(c) It may not be applied to organizations with limited products.
(d) Selection of the most suitable cost driver may not be easy/ may be difficult or complicated.

33. Practical stages required in the ABC implementation are
(a) Staff Training
(b) Determine the activity cost drivers
(c) Relate the overheads to the activities
(d) Calculate activity cost driver rates for each activity

34. The use of ABC as a costing tool to manage costs at activity level is known as _____.
(a) Marginal Costing
(b) Activity Based Costing (ABC)
(c) Activity Based Cost Management (ABM)
(d) Standard Costing

35. The various types of analysis involved in ABM are
(a) Cost Driver Analysis
(b) Value-Added Activities
(c) Non-Value-Added Activities
(d) All of the above

36. _____ involves the identification of appropriate measures to report the performance of activity centres.
(a) Cost Driver Analysis
(b) Value-Added Activities
(c) Non-Value-Added Activities
(d) Performance Analysis

37. Activity based management can be used
(a) Activity Definition
(b) Process Specification
(c) Cost Reduction
(d) Activity Driver Selection

38. The _____ activities are those activities which are indispensable in order to complete the process.
(a) Value-added
(b) Non-Value added
(c) Performance
(d) Standard

39. _____ activity represents work that is not valued by the external or internal customer.
(a) Value-added
(b) Non-Value added
(c) Performance
(d) Standard

40. _____ is a process of planning and controlling the expected activities for the organisation to derive a cost-effective budget that meets forecast workload and agreed strategic goals.
(a) Activity-based budgeting
(b) Activity Based Costing (ABC)
(c) Activity Based Cost Management (ABM)
(d) Standard Costing

CA Vinod Reddy

ANSWERS

21	D	31	D
22	B	32	A
23	B	33	A
24	C	34	C
25	D	35	D
26	A	36	D
27	C	37	C
28	D	38	A
29	A	39	B
30	D	40	A

CA Vinod Reddy

41. Answer questions from 41 to 46 based on below case scenario
Prashant Limited manufactures three products P, Q and R which are similar in nature and are usually produced in production runs of 100 units. Product P and R require both machine hours and assembly hours, whereas product Q requires only machine hours. The overheads incurred by the company during the first quarter are as under:

Machine Department expense - 18,48,000
Assembly Department expenses - 6,72,000
Setup costs - 90,000
Stores receiving cost - 1,20,000
Order processing and dispatch - 1,80,000
Inspect and Quality control cost - 36,000

The date related to the three products during the period are as under:

	P	Q	R
Units produced and sold	15,000	12,000	18,000
Machine hours worked	30,000 hrs.	48,000 hrs.	54,000 hrs.
Assembly hours worked (direct labour hours)	15,000 hrs.	-	27,00 hrs.
Customer's orders executed (in numbers)	1,250	1,000	1,500
Number of requisitions raised on the stores	40		

Calculate the Cost driver rate of Machine Department expenses.
(a) 14.00 (b) 16.00 (c) 200.00 (d) 48.00

42. Calculate the Cost driver rate of Assembly Department expenses.
(a) 14.00 (b) 16.00 (c) 200.00 (d) 48.00

43. Calculate the Cost driver rate of Order processing and dispatch.
(a) 14.00 (b) 16.00 (c) 200.00 (d) 48.00

44. Calculate the Cost driver rate of Stores receiving cost.
(a) 34.00 (b) 80.00 (c) 1000.00 (d) 200.00

45. Calculate the Cost driver rate of Setup costs.
(a) 34.00 (b) 80.00 (c) 1000.00 (d) 200.00

46. Calculate the Cost driver rate of Inspect and Quality control cost.
(a) 34.00 (b) 80.00 (c) 1000.00 (d) 200.00

47. Answer questions from 47 to 52 based on following case scenario.
Bank of Pune operated for years under the assumption that profitability can be increased by increasing Rupee volume. But that has not been the case. Cost analysis has revealed the following:

Activity	Activity Cost (₹)	Activity Driver	Activity Capacity
Providing ATM Service	1,00,000	No. of Transactions	2,00,000
Computer Processing	10,00,000	No. of Transactions	25,00,000
Issuing Statements	8,00,000	No. of Statements	5,00,000
Customer Inquiries	3,60,000	Telephone Minutes	6,00,000

The following annual information on three products was also made available:

Activity Driver	Personal Loans	Checking Accounts	Gold Visa
Units of Product	30,000	5,000	10,000
ATM Transactions	1,80,000	0	20,000
Computer Transactions	20,00,000	2,00,000	3,00,000

Number of Statements	3,00,000	50,000	1,50,000
Telephone Minutes Required	3,50,000	90,000	1,60,000

Calculate activity driver rate for Providing ATM Service activity.

(a) 0.50 (b) 0.40 (c) 1.60 (d) 0.60

48. Calculate activity driver rate for Customer Inquiries activity.

(a) 0.50 (b) 0.40 (c) 1.60 (d) 0.60

49. Calculate activity driver rate for Issuing Statements activity.

(a) 0.50 (b) 0.40 (c) 1.60 (d) 0.60

50. Calculate activity driver rate for Computer Processing activity.

(a) 0.50 (b) 0.40 (c) 1.60 (d) 0.60

51. Calculate the cost of Providing ATM Service of Checking Accounts department.

(a) 10,000 (b) 90,000 (c) 8,00,000 (d) 2,40,000

52. Calculate the cost of Issuing Statements of Gold Visa department.

(a) 10,000 (b) 90,000 (c) 8,00,000 (d) 2,40,000

53. Answer questions from 53 to 55 based on below details.

Shiva Ltd. manufactures three types of products namely P, Q and R. The data relating to a period are as under:

Particulars	P	Q	R
Machine hours per unit	10	18	14
Direct Labour hours per unit @ Rs. 20	4	12	8
Direct Material per unit (Rs.)	90	80	120
Production (units)	3,000	5,000	20,000

Currently the company uses traditional costing method and absorbs all production overheads on the basis of machine hours. The machine hour rate of overheads is Rs. 6 per hour.

Calculate the cost per unit of product P using traditional method of absorbing all production overheads on the basis of machine hours.

(a) 220 (b) 230 (c) 240 (d) 250

54. Calculate the cost per unit of product Q using traditional method of absorbing all production overheads on the basis of machine hours.

(a) 420 (b) 425 (c) 428 (d) 450

55. Calculate the cost per unit of product R using traditional method of absorbing all production overheads on the basis of machine hours.

(a) 361 (b) 362 (d) 363 (d) 364

56. Answer questions from 56 to 60 based on below case study.

AK Ltd. is a manufacturer of a range of goods. The cost structure of its different products is as follows:

Particulars	A	B	C
Direct Materials (Rs. /u)	100	80	80
Direct Labour @Rs.10/ hour (Rs. /u)	30	40	50
Production Overheads (Rs. /u)	30	40	50

Total Cost (Rs. /u)	160	160	180
Quantity Produced (Units)	20,000	40,000	60,000

AK Ltd. was absorbing overheads on the basis of direct labour hours. A newly appointed management accountant has suggested that the company should introduce ABC system and has identified cost drivers and cost pools as follows:

Activity Cost	Pool Cost Driver	Associated Cost (Rs.)
Stores Receiving	Purchase Requisitions	5,92,000
Inspection	Number of Production Runs	17,88,000
Dispatch	Orders Executed	4,20,000
Machine Setup	Number of Setups	24,00,000

The following information is also supplied:

Details	Product A	Product B	Product C
No. of Setups	360	390	450
No. of Orders Executed	180	270	300
No. of Production Runs	750	1,050	1,200
No. of Purchase Requisitions	300	450	500

Calculate the amount of Stores Receiving apportioned to Product A.

(a) 1,42,080 (b) 6,25,800 (c) 1,68,000 (d) 7,80,000

57. Calculate the amount of Dispatch apportioned to Product C.

(a) 1,42,080 (b) 6,25,800 (c) 1,68,000 (d) 7,80,000

58. Calculate the amount of Inspection apportioned to Product B.

(a) 1,42,080 (b) 6,25,800 (c) 1,68,000 (d) 7,80,000

59. Calculate the amount of Machine Setup apportioned to Product B.

(a) 1,42,080 (b) 6,25,800 (c) 1,68,000 (d) 7,80,000

60. Calculate the amount of Machine Setup apportioned to Product A.

(a) 7,20,000 (c) 7,80,000 (c) 9,00,000 (d) None

CA Vinod Reddy

ANSWERS

41	A	51	B
42	B	52	D
43	D	53	B
44	C	54	C
45	D	55	D
46	B	56	A
47	A	57	C
48	D	58	B
49	C	59	D
50	B	60	A

CA Vinod Ready

1. A _____ is a document which provides a detailed cost information.
(a) Cost Sheet (b) Cost Statement (c) Both (a) & (b) (d) None of the above

2. The costs as classified on the basis of functions are grouped into the following cost heads in a cost sheet
(a) Prime Cost
(b) Cost of Production
(c) Cost of Goods Sold
(d) Cost of Sales
(e) All of the above

3. _____ represents the total of direct materials costs, direct employee (labour) costs and direct expenses.
(a) Prime Cost
(b) Cost of Production
(c) Cost of Goods Sold
(d) Cost of Sales

4. _____ is the cost of direct material consumed.
(a) Direct Material Cost
(b) Direct Employees
(c) Direct Expenses
(d) Cost of Production

5. _____ is the total of payment made to the employees who are engaged in the production of goods and provision of services.
(a) Direct Employee Cost
(b) Direct Material Cost
(c) Direct Expenses
(d) Cost of Production

6. _____ is the total of prime cost and factory related costs and overheads.
(a) Direct Material Cost
(b) Direct Employees
(c) Direct Expenses
(d) Cost of Production

7. _____ is also known as works/ production/ manufacturing overheads.
(a) Prime Cost
(b) Cost of Production
(c) Cost of Goods Sold
(d) Factory Overheads

8. Factory Overheads includes the following indirect costs
(a) Consumable stores and spares
(b) Depreciation of plant and machinery, factory building etc.
(c) Lease rent of production assets
(d) All of the above

9. The realised or realisable value of scrap or waste is also known as _____.
(a) Credit for recoveries
(b) Research & Development cost
(c) Administrative Overheads
(d) Quality Control Cost

10. Packing material which is essential to hold and preserve the product for its use by the customer
(a) Packing Cost (primary)
(b) Research & Development cost
(c) Administrative Overheads
(d) Quality Control Cost

11. _____ is the total cost of a product incurred to make the product available to the customer or consumer.
(a) Cost of sales
(b) Prime Cost
(c) Cost of Production
(d) Cost of Goods Sold

12. Generally, for the purpose of cost sheet preparation, costs are classified on the basis of
(a) Functions (b) Variability (c) Relevance (d) Nature

13. Which of the following does not form part of prime cost
(a) Cost of packing
(b) Cost of transportation paid to bring materials to factory
(c) GST paid on raw materials (input credit cannot be claimed)
(d) Overtime premium paid to workers.

14. A Ltd. received an order, for which it purchased a special frame for manufacturing, it is a part of
(a) Direct Materials (b) Direct expenses (c) Factory Overheads (d) Administration Overheads

15. Salary paid to plant supervisor is a part of
(a) Direct expenses (b) Factory overheads (c) Quality control cost (d) Administration cost

16. Depreciation of director's laptop is treated as a part of
(a) Administration Overheads (b) Factory Overheads
(c) Direct Expenses (d) Research & Development cost.

17. A manufacture has set-up a lab for testing of products for compliance with standards, salary of this lab staffs are part of
(a) Works overheads (b) Quality Control Cost (c) Direct Expenses (d) Research & Development Cost.

18. Audit fees paid to auditors is part of
(a) Administration Cost (b) Production cost (c) Selling & Distribution cost (d) None

19. Salary paid to factory store staff is part of
(a) Factory overheads (b) Production Cost (c) Direct Employee cost (d) Direct Material Cost.

20. Canteen expenses for factory workers are part of
(a) Factory overhead (b) Administration Cost (c) Marketing cost (d) None of the above.

ANSWERS

1	C	11	A
2	E	12	A
3	A	13	A
4	A	14	B
5	A	15	B
6	D	16	A
7	D	17	B
8	D	18	A
9	A	19	A
10	A	20	A

CA Vinod Ready

21. A company pays royalty to State Government on the basis of production, it is treated as
(a) Direct Material Cost
(b) Factory Overheads
(c) Direct Expenses
(d) Administration cost

22. Depreciation of director's laptop is treated as
(a) Administration overheads
(b) Factory overheads
(c) Direct expenses
(d) Research & Development cost

23. A manufacture has set-up a lab for testing of products for compliance with standards, salary of this lab staffs are part of
(a) Works overheads
(b) Quality Control Cost
(c) Direct Expenses
(d) Research & Development Cost

24. Which of the following is not indirect costs?
(a) Research and development cost, Primary packing cost, Admin overheard related to production
(b) Cost of making a design, pattern for a specific job
(c) Factory supervisor salary, Depreciation on Plant and Machinery
(d) Stores and spares consumed, repairs and maintenance of plant and machinery

25. A company pays royalty to state government on the basis of production , it is treated as
(a) Administration Overheads
(b) Factory Overheads
(c) Direct Expenses
(d) Research & Development cost

26. The following details are given to you
Raw materials consumed - 2,40,000
Factory overheads - 3/4 of direct wages
Quality control cost and research and development cost - 20% of factory cost
Cost of production - 7,50,000
The amount of direct wages will be:
(a) 2,50,000 (b) 2,20,000 (c) 2,00,000 (d) 3,00,000

27. Postage and telegram is an example of
(a) Prime Cost
(b) Production Overheads
(c) Selling and Distribution Overheads
(d) Office and Administration Overheads

28. Which of the following does not form part of prime cost
(a) Cost of packing
(b) Cost of transportation paid to bring materials to factor
(c) GST paid on raw materials (input credit cannot be claimed)
(d) Overtime premium paid to workers.

29. A Ltd. received an order, for which it purchased a special frame for manufacturing, it is a part of:
(a) Direct Materials
(b) Direct expenses
(c) Factory Overheads
(d) Administration Overheads

30. Material consumed is 8,00,000, Opening stock of raw material is 2,00,000 and Closing stock of raw material is 175,000. What is the cost of raw material purchased?
(a) 11,75,000
(b) 7,75,000
(c) 8,25,000
(d) 4,25,000

31. Salary paid to plant supervisor is a part of
(a) Direct expenses
(b) Factory overheads
(c) Quality control cost
(d) Administration cost

32. Salary paid to factory store staff is part of
(a) Factory overheads
(b) Production Cost
(c) Direct Employee cost
(d) Direct Material Cost.

33. Cost of production + Opening stock of finished goods - closing stock of finished goods equals to
(a) Prime cost (b) Cost of goods sold (c) Sales (d) Cost of sales

34. The production cost incurred for one unit of finished goods was 80. Direct materials were 1/4 of the total cost, and direct labour was 45% of the combined total of direct labour and factory overhead. The cost for direct materials, direct labour and factory overhead will be:
(a) 20, 27 and 33 respectively
(b) 20, 33 and 27 respectively
(c) 20, 36 and 24 respectively
(d) 20, 24 and 36 respectively

35. Canteen expenses for factory workers are part of

(a) Factory overhead (b) Administration Cost (c) Marketing cost (d) None of the above

36. Answer questions 36 to 40 using the below data:

The following data relates to the manufacture of a standard product during the month April, 2027:

Particulars	Amount
Raw materials	₹ 1,80,000
Direct wages	₹ 90,000
Machine hours worked (hours)	10,000
Machine hour rate (per hour)	₹ 8
Administration overheads	₹ 35,000
Selling overheads (per unit)	₹ 5
Units produced	4,000
Units sold	3,600
Selling price per unit	₹ 125

Find Prime Cost

(a) 2,00,000 (b) 2,50,000 (c) 2,70,000 (d) None of the above

37. Find cost of production of 4000 units

(a) 3,00,000 (b) 3,50,000 (c) 3,80,000 (d) None of the above

38. Find Cost of sales

(a) 3,60,000 (b) 3,64,000 (c) 3,64,500 (d) 3,46,500

39. Find the value of closing stock of finished goods.

(a) 38,000 (b) 38,500 (c) 39,500 (d) 40,500

40. Find the profit / (loss) for the month of April.

(a) 85,000 (b) 85,500 (c) 86,500 (d) None of the above

CA Vinod Ready

ANSWERS

21	C	31	B
22	A	32	A
23	B	33	B
24	B	34	A
25	C	35	A
26	B	36	C
27	D	37	D
28	A	38	C
29	B	39	B
30	B	40	B

CA Vinod Ready

41. Answer questions from 41 to 50 based on the below data.
The books of Reddy Manufacturing Company present the following data for the month of April, 2027.
Direct labour cost – Rs. 17,500 being 175% of works overheads.
Cost of goods sold excluding administrative expenses Rs. 56,000.
Inventory accounts showed the following opening and closing balances.

	April 1	April 30
Raw material	8000	10600
WIP	10500	14500
Finished goods	17600	19000

Other data are

	Amt
Selling expenses	3500
General and administration expenses	2500
Sales for the month	75000

Calculate Cost of production.
(a) 54,000 (b) 57,400 (c) 61,400 (d) 33,900

42. Calculate Net Factory cost.
(a) 54,000 (b) 57,400 (c) 61,400 (d) 33,900

43. Calculate Gross factory cost.
(a) 54,000 (b) 57,400 (c) 61,400 (d) 33,900

44. Calculate Prime cost.
(a) 51,400 (b) 33,900 (c) 61,400 (d) 33,900

45. Calculate the value of direct material.
(a) 54,000 (b) 57,400 (c) 61,400 (d) 33,900

46. Calculate the value of direct labour cost.
(a) 14,000 (b) 17,400 (c) 10,000 (d) 33,900

47. Calculate the value of purchases made during the month.
(a) 34,000 (b) 31,400 (c) 36,500 (d) 31,900

48. Calculate the Cost of sales for the month.
(a) 64,000 (b) 62,400 (c) 62,000 (d) 61,700

49. Calculate the Profit/ (loss) for the month.
(a) 10,000 (b) (12,000) (c) 17,000 (d) 13,000

50. Dividend declared is included in the cost sheet of the company.
(a) True (b) False (c) Partially true (d) Partially false

ANSWERS

41	B
42	B
43	C
44	A
45	D
46	C
47	C
48	C
49	D
50	B

CA Vinod Reddy

1. Under the Non-integrated accounting system
(a) Same ledger is maintained for cost and financial accounts by accountants
(b) Separate ledgers are maintained for cost and financial accounts
(c) (a) and (b) both
(d) None of the above

2. Notional costs
(a) May be included in Integrated accounts
(b) May be included in Non- integrated accounts
(c) Cannot be included in Non-integrated accounts
(d) None of the above

3. Under Non-integrated accounting system, the account made to complete double entry is
(a) Stores ledger control account
(b) Work in progress control account
(c) Finished goods control account
(d) General ledger adjustment account

4. Integrated systems of accounts are maintained
(a) In separate books of accounts for costing and financial accounting purposes
(b) In same books of accounts
(c) Both (a) & (b)
(d) None of the above

5. Under Non-integrated system of accounting, purchase of raw material is debited to which account
(a) Material control account / stores ledger control account
(b) General ledger adjustment account
(c) Purchase account
(d) None of the above

6. Under Non-integrated accounts, if materials worth ` 1,500 are purchased for a special job, then which account will be debited
(a) Special job account / work in process account
(b) Material control account
(c) Cost control account
(d) None of the above

7. Which account is to be debited if materials worth ` 500 are returned to vendor under Non-integrated accounts
(a) Cost ledger control account
(b) Finished goods control account
(c) WIP control account
(d) None of the above

8. Which of the following items is included in cost accounts?
(a) Notional rent
(b) Donations
(c) Transfer to general reserve
(d) Rent receivable

9. When costing loss is ` 5,600, administrative overhead under-absorbed being ` 600, the loss as per financial accounts should be
(a) ` 5,600 (b) ` 6,200 (c) ` 5,000 (d) None of the above

10. Which of the following items should be added to costing profit to arrive at financial profit?
(a) Over-absorption of works overhead
(b) Interest paid on debentures
(c) Income tax paid
(d) All of the above

11. Under Non-integrated accounts, if materials worth Rs. 1,500 are purchased for a special job, then which account will be debited
(a) Special job account / Work in Process account
(b) Material Control account
(c) Cost Control account
(d) None of the above

12. Under Non-integrated system of accounting, purchase of raw material is debited to which account
(a) Material control account / Stores ledger control account
(b) General ledger adjustment account
(c) Purchase account
(d) None of the above

13. Which account is to be debited if materials worth 500 are returned to vendor under Non- integrated accounts
(a) Cost ledger control account
(b) Finished goods control account
(c) WIP control account
(d) None of the above

14. Which of the following items should be added to costing profit to arrive at financial profit?
(a) Over-absorption of works overhead
(b) Interest paid on debentures
(c) Income tax paid
(d) All of the above

15. Under the Non-integrated accounting system
(a) Same ledger is maintained for cost and financial accounts by accountants
(b) Separate ledgers are maintained for cost and financial accounts
(c) Both (a) and (b)
(d) None of the above

16. Under Non-integrated accounting system, the account made to complete double entry is
(a) Stores ledger control account
(b) Work in progress control account
(c) Finished goods control account
(d) General ledger adjustment account

17. Which of the following items is included in cost accounts?
(a) Notional rent
(b) Donations
(c) Transfer to general reserve
(d) Rent receivable

18. Integrated systems of accounts are maintained
(a) In separate books of accounts for costing and financial accounting purposes
(b) In same books of accounts
(c) Both (a) & (b)
(d) None of the above

19. Under Non-integrated accounts, if materials worth 1,500 are purchased for a special job, then which account will be debited
(a) Special job account / Work in Process account
(b) Material Control account
(c) Cost Control account
(d) None of the above

20. Notional costs
(a) May be included in Integrated accounts
(b) May be included in Non- integrated accounts
(c) Cannot be included in Non-integrated accounts
(d) None of the above

CA Vinod Reddy

ANSWERS

1	B	11	A
2	B	12	A
3	D	13	A
4	B	14	A
5	A	15	B
6	A	16	D
7	A	17	A
8	A	18	B
9	B	19	A
10	A	20	B

CA Vinod Ready

21. Where cost and financial accounting records are integrated, the system so evolved is known as _____.
(a) Integrated system
(b) Integral accounting system
(c) Both (a) & (b)
(d) None of the above

22. In case where cost and financial transactions are kept separately, the system is called as _____.
(a) Non-Integrated Accounting system
(b) Cost Control System
(c) Integral accounting system
(d) Both (a) & (b)

23. _____ is a system of accounting under which separate ledgers are maintained for both cost and financial accounts.
(a) Non-Integrated Accounting system
(b) Cost Control System
(c) Integral accounting system
(d) Cost ledger accounting system

24. Items of accounts which are excluded are represented by an account known as_____ .
(a) Cost ledger control account
(b) Cost Control System
(c) Integral accounting system
(d) Cost ledger accounting system

25. _____ is the principle ledger of the cost department in which impersonal accounts are recorded.
(a) Cost ledger
(b) Cost Control System
(c) Integral accounting system
(d) Cost ledger accounting system

26. _____ contains an account for each item of stores.
(a) Cost ledger
(b) Stores ledger
(c) Integral accounting system
(d) Cost ledger accounting system

27. Cost Ledger Control Account is also known as _____.
(a) General Ledger Adjustment Account
(b) Cost Control System
(c) Integral accounting system
(d) Cost ledger accounting system

28. _____ account is debited for the purchase of material and credited for issue of materials from the stores.
(a) Stores Ledger Control Account
(b) General Ledger Adjustment Account
(c) Cost ledger accounting system
(d) Cost Control System

29. _____ account is debited with the value of goods transferred from Work-in-process Control Account and administration costs recovered.
(a) Stores Ledger Control Account
(b) General Ledger Adjustment Account
(c) Finished Goods Control Accounts
(d) Selling and Distribution Overhead Control Account

30. _____ account is debited with the cost of finished goods transferred from Finished Goods Control Account for sale.
(a) Stores Ledger Control Account
(b) Cost of Sales Account
(c) Finished Goods Control Accounts
(d) Selling and Distribution Overhead Control Account

31. The advantages of Integrated Accounts are
(a) No need for Reconciliation
(b) Less efforts
(c) Less time consuming
(d) Economical process
(e) All of the above

32. The reconciliation of the balances of two sets of accounts is possible by preparing a _____.
(a) Memorandum Reconciliation Account
(b) Cost ledger accounting system
(c) Cost Control System
(d) Profit & Loss Account

33. Items included in Financial Accounts only are
(a) Purely Financial Expenses
(b) Purely Financial Income
(c) Notional expenses
(d) Both (a) & (b)

34. Item included in Cost Accounts only are
(a) Purely Financial Expenses
(b) Purely Financial Income
(c) Notional expenses
(d) Both (a) & (b)

CA Vinod Reddy

35. Charges in lieu of rent where premises are owned are
(a) Purely Financial Expenses
(b) Purely Financial Income
(c) Notional expenses
(d) Both (a) & (b)

36. Under _____ system of management accounting, the variances in costs from the set standards are reported at its happenings without waiting for books closing.
(a) Single plan
(b) Partial plan
(c) Multiple plan
(d) None of the above

37. Analysis of variances is done from the original documents like invoices, labour sheets, etc., and this method of analysis is known as_____ .
(a) Analysis at originality
(b) Analysis at beginning
(c) Analysis at source
(d) Analysis at base

38. _____ are recorded at the time of receipt of the material.
(a) Material price variances
(b) Material quantity variances
(c) Material cost variances
(d) None of the above

39. _____ are recorded as far as possible when excess materials are used.
(a) Material price variances
(b) Material quantity variances
(c) Material cost variances
(d) None of the above

40. In the _____ system of management accounting, variances are analysed at the end of period.
(a) Single plan
(b) Partial plan
(c) Multiple plan
(d) None of the above

CA Vinod Reddy

ANSWERS

21	C	31	E
22	D	32	A
23	D	33	D
24	A	34	C
25	A	35	C
26	B	36	A
27	A	37	A
28	A	38	A
29	C	39	B
30	B	40	B

CA Vinod Ready

41. Answer the questions from 41 to 45 using the below data.
A manufacturing company disclosed a net loss of Rs.3,47,000 as per their cost accounts for the year ended March 31,2028. The financial accounts however disclosed a net loss of Rs. 5,10,000 for the same period. The following information was revealed because of scrutiny of the figures of both the sets of accounts:

(i)	Factory Overheads under-absorbed	40,000
(ii)	Administration Overheads over-absorbed	60,000
(iii)	Depreciation charged in Financial Accounts	3,25,000
(iv)	Depreciation charged in Cost Accounts	2,75,000
(v)	Interest on investments not included in Cost Accounts	96,000
(vi)	Income-tax provided	54,000
(vii)	Interest on loan funds in Financial Accounts	2,45,000
(viii)	Transfer fees (credit in financial books)	24,000
(ix)	Stores adjustment (credit in financial books)	14,000
(x)	Dividend received	32,000

Find the item to be debited in the Memorandum Reconciliation account.
(a) Factory overheads under absorbed in Cost Accounts
(b) Transfer fees in Financial books
(c) Dividend received in financial books
(d) Interest on investment not included in Cost Accounts

42. Find the item to be debited in the Memorandum Reconciliation account.
(a) Depreciation under charged in Cost Accounts
(b) Transfer fees in Financial books
(c) Dividend received in financial books
(d) Interest on investment not included in Cost Accounts

43. Find the item to be credited in the Memorandum Reconciliation account.
(a) Depreciation under charged in Cost Accounts
(b) Income- Tax not provided in Cost Accounts
(c) Interest on Loan Funds in Financial Accounts
(d) None of the above

44. Find the item to be credited in the Memorandum Reconciliation account.
(a) Administration overheads over Recovered in cost accounts
(b) Stores adjustment (Credit in financial books)
(c) Both (a) & (b)
(d) None of the above

45. Find the item to be credited in the Memorandum Reconciliation account.
(a) Dividend received in financial books
(b) Transfer fees in Financial books
(c) Both (a) & (b)
(d) None of the above

46. Answer questions from 46 to 50 using the below data.
The Trading and Profit and Loss Account of a company for the year ended 31-03-2020 is as under:

Particulars	Rs.	Particulars	Rs.
To Materials	26,80,000	By Sales (50,000 units)	62,00,000
To Wages	17,80,000	By Closing stock (2,000 units)	1,50,000
To Factory expenses	9,50,000	By Dividend received	80,000

To General administrative expenses	4,80,200		
To Selling Expenses	2,50,000		
To Preliminary expenses written off	70,000		
To Net profit	2,19,800		
	64,30,000		64,30,000

In the Cost Accounts:
(i) Factory expenses have been allocated to production at 20% of Prime Cost.
(ii) General administrative expenses absorbed at 10% of factory cost.
(iii) Selling expenses charged at Rs.10 per unit sold.
Calculate the amount of Prime cost.
(a) 26,80,000 (b) 17,80,000 (c) 44,60,000 (d) 53,52,000

47. Calculate the amount of Cost of Production.
(a) 26,80,000 (b) 17,80,000 (c) 44,60,000 (d) 53,52,000

48. Calculate the Value of Closing Stock.
(a) 2,05,846 (b) 2,05,800 (c) 2,05,850 (d) 2,05,866

49. Calculate the amount Cost of Sales.
(a) 51,46,154 (b) 11,18,646 (c) 61,81,354 (d) 18,92,000

50. Calculate the amount Cost of Sales.
(a) 51,154 (b) 18,646 (c) 81,354 (d) 18,000

51. Differences in Financial and Cost Accounts is caused due to
(a) Interest on loans or bank mortgages.
(b) Expenses and discounts on issue of shares, debentures etc.
(c) Preliminary expenses written off.
(d) All of the above.

52. Answer questions from 52 to 55 based on below data.
A manufacturing company disclosed a net profit ₹10,20,000 as per their cost accounts for the year ended 31st March, 2027. The financial accounts however disclosed a net profit of ₹ 6,94,000 for the same period. The following information was revealed as a result of scrutiny of the figures of both the sets of accounts.

	(₹)
(i) Factory Overheads under-absorbed	80,000
(ii) Administration Overheads over-absorbed	1,20,000
(iii) Depreciation charged in Financial Accounts	6,50,000
(iv) Depreciation charged in Cost Accounts	5,50,000
(v) Interest on investments not included in Cost Accounts	1,92,000
(vi) Income-tax provided	1,08,000
(vii) Interest on loan funds in Financial Accounts	4,90,000
(viii) Transfer fees (credit in financial books)	48,000
(ix) Stores adjustment (credit in financial books)	28,000
(x) Dividend received	64,000

If the statement of reconciliation is begun with adjustments to the profit as per cost accounts, the items to be added are
(a) Administration Overheads over-absorbed
(b) Interest on investments
(c) Transfer fees
(d) All of the above

53. If the statement of reconciliation is begun with adjustments to the profit as per cost accounts, the items to be less are
(a) Factory Overheads under-absorbed
(b) Interest on investments
(c) Transfer fees
(d) None of the above

54. If the statement of reconciliation is begun with adjustments to the profit as per Financial accounts, the items to be less are
(a) Factory Overheads under-absorbed
(b) Stores adjustment
(c) Dividend received
(d) Both (b) & (c)

55. If the statement of reconciliation is begun with adjustments to the profit as per Financial accounts, the items to be added are
(a) Factory Overheads under-absorbed
(b) Interest on loan funds
(c) Dividend received
(d) Both (a) & (b)

56. Answer questions from 56 to 60 based on below data
The following figures have been taken from the financial accounts of a manufacturing firm for the year ended 31st March, 2027

	Rs.
Direct material consumption	20,00,000
Direct wages	12,00,000
Factory overheads	6,40,000
Administrative overheads	2,80,000
Selling and distribution overheads	3,84,000
Bad debts	32,000
Preliminary expenses written off	16,000
Legal charges	4,000
Dividend received	40,000
Interest on fixed deposit	8,000
Sales - 48,000 units	48,00,000
Closing stock:	
- Finished stock - 4,000 units	3,20,000
- Work-in-process	96,000

The cost accounts for the same period reveal that the Direct Material consumption was Rs. 22,40,000; Factory overhead is recovered at 20% on prime cost; Administration overhead is recovered @ Rs. 4.8 per unit of production; and Selling and Distribution overheads are recovered at Rs. 6.40 per unit sold.
Calculate the value of closing stock as per costing profit and loss account.
(a) 2,49,600 (b) 3,10,154 (c) 2,06,154 (d) 5,06,154

57. Calculate the amount of administrative overheads as per costing profit and loss account.
(a) 2,49,600 (b) 3,10,154 (c) 2,06,154 (d) 5,06,154

58. Calculate the amount of Selling & distribution overheads as per costing profit and loss account.
(a) 2,49,600 (b) 5,21,354 (c) 3,07,200 (d) 5,06,154

59. Calculate the amount of Net profit as per costing profit and loss account.
(a) 2,49,600 (b) 5,21,354 (c) 3,07,200 (d) 5,06,154

60. Calculate the amount of Net profit as per Financial profit and loss account.
(a) 7,08,000 (b) 3,20,000 (c) 6,40,000 (d) 3,84,000

CA Vinod Reddy

ANSWERS

41	A	51	D
42	A	52	D
43	D	53	A
44	C	54	D
45	C	55	D
46	C	56	B
47	D	57	A
48	A	58	C
49	C	59	B
50	B	60	A

CA Vinod Ready

EXPERT PROFESSIONAL ACADEMY PVT. LTD. - CA- INTER

8. UNIT AND BATCH COSTING

1. Different businesses in order to determine cost of their product or service offering follow
(a) Different methods of Costing
(b) Uniform Costing
(c) Different techniques of costing
(d) None of the above

2. In order to determine cost of the product or service, following are used
(a) Techniques of costing like Marginal, Standard etc.
(b) Methods of Costing
(c) Comparatives
(d) All of the above

3. Unit Costing is applicable where
(a) Product produced are unique and no 2 products are same
(b) Dissimilar articles are produced as per customer specification
(c) homogeneous articles are produced on large scale
(d) Products made require different raw materials

4. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be
(a) Process costing (b) Operating costing (c) Job costing (d) None of the above

5. Job Costing is
(a) Applicable to all industries regardless of the products or services provided
(b) Technique of costing
(c) Suitable where similar products are produced on mass scale
(d) Method of costing used for non- standard and non- repetitive products

6. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is known as
(a) Bin card (b) Bill of material (c) Material requisition slip (d) None of the above

7. Batch costing is a type of
(a) Process costing (b) Job Costing (c) Differential costing (d) Direct costing

8. Batch costing is similar to that under job costing except with the difference that a
(a) Job becomes a cost unit
(b) Batch becomes the cost unit instead of a job
(c) Process becomes a cost unit
(d) None of the above

9. The main points of distinction between job and contract costing includes
(a) Length of time to complete
(b) Big jobs
(c) Activities to be done outside the factory area
(d) All of the above

10. Economic batch quantity is that size of the batch of production where
(a) Average cost is minimum
(b) Set-up cost of machine is minimum
(c) Carrying cost is minimum
(d) Both (b) and (c)

11. Batch costing is similar to that under job costing except with the difference that a
(a) Job becomes a cost unit.
(b) Batch becomes the cost unit instead of a job
(c) Process becomes a cost unit
(d) None of the above

12. Different businesses in order to determine cost of their product or service offering follow
(a) Different methods of Costing
(b) Uniform Costing
(c) Different techniques of costing
(d) None of the above

13. Job Costing is
(a) Applicable to all industries regardless of the products or services provided
(b) Technique of costing
(c) Suitable where similar products are produced on mass scale
(d) Method of costing used for non- standard and non- repetitive products

14. The main points of distinction between job and contract costing includes
(a) Length of time to complete.
(b) Big jobs
(c) Activities to be done outside the factory area
(d) All of the above

15. In order to determine cost of the product or service, following are used
(a) Techniques of costing like Marginal, Standard etc.
(b) Methods of Costing
(c) Comparatives
(d) All of the above

16. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is known as
(a) Bin card
(b) Bill of material
(c) Material requisition slip
(d) None of the above

CA Vinod Ready

17. Batch costing is a type of
(a) Process costing (b) Job Costing (c) Differential costing (d) Direct costing

18. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be
(a) Process costing (b) Operating costing (c) Job costing (d) None of the above

19. Economic batch quantity is that size of the batch of production where
(a) Average cost is minimum
(b) Set-up cost of machine is minimum
(c) Carrying cost is minimum
(d) Both (b) and (c)

20. Unit Costing is applicable where
(a) Product produced are unique and no 2 products are same
(b) Dissimilar articles are produced as per customer specification
(c) homogeneous articles are produced on large scale
(d) Products made require different raw materials

CA Vinod Reddy

ANSWERS

1	A	11	B
2	B	12	A
3	C	13	D
4	C	14	D
5	D	15	B
6	B	16	B
7	B	17	B
8	B	18	C
9	D	19	D
10	D	20	C

CA Vinod Ready

21. _____ is that method of costing where the output produced is identical and each unit of output requires identical cost.
(a) Batch Costing (b) Unit Costing (c) Standard Costing (d) Marginal Costing

22. Unit costing is synonymously known as _____.
(a) single costing
(b) output costing
(c) Both (a) & (b)
(d) None of the above

23. Under _____ method, costs are collected and analysed element wise and then total cost per unit is ascertained by dividing the total cost with the number of units produced.
(a) Batch Costing (b) Unit Costing (c) Standard Costing (d) Marginal Costing

24. Unit Cost can be calculated as
(a) Total Cost of Production / No. of units produced
(b) No. of units produced/ Total Cost of Production
(c) Both (a) & (b)
(d) None of the above

25. Cost of materials issued for production are collected from _____.
(a) Cost accounts numbers
(b) Material Requisition notes
(c) Bin Cards
(d) Job time cards or sheets

26. All direct employee (labour) cost is collected from _____.
(a) Cost accounts numbers
(b) Material Requisition notes
(c) Bin Cards
(d) Job time cards or sheets

27. _____ is a type of specific order costing where articles are manufactured in predetermined lots, known as batch.
(a) Batch Costing (b) Unit Costing (c) Standard Costing (d) Marginal Costing

28. Under _____costing method, the cost object for cost determination is a batch for production rather output as seen in unit costing method.
(a) Batch Costing (b) Unit Costing (c) Standard Costing (d) Marginal Costing

29. _____ is the size of a batch where total cost of set-up and holding costs are at minimum.
(a) Economic order quantity
(b) Economic batch quantity
(c) Reorder Batch level
(d) Reorder Batch Quantity

30. Economic batch quantity can be calculated as
(a) $\sqrt{\frac{2DS}{C}}$ (b) $\sqrt{\frac{2AO}{C}}$ (c) $\sqrt{\frac{2CO}{C}}$ (d) $\sqrt{\frac{2CS}{C}}$

31. Monthly demand for a product - 500 units
Setting-up cost per batch - ₹ 60
Cost of manufacturing per unit - ₹ 20
Rate of interest - 10% p.a.
DETERMINE economic batch quantity.
(a) 500 units (b) 600 units (c) 650 units (d) 700 units

32. ShivaTeja Ltd. is committed to supply 48,000 bearings per annum to Sushil Ltd. on a steady daily basis. It is estimated that it costs ₹ 1 as inventory holding cost per bearing per month and that the set up cost per run of bearing manufacture is ₹ 3,200. Find EBQ.
(a)5000 units (b) 5050 units (c) 5060 units (d) 6050 units

33. FIND OUT the minimum inventory holding cost from the above question.
(a) ₹ 30,360 (b) ₹ 30,300 (c) ₹ 30,000 (d) ₹ 30,400

34. A Company has an annual demand from a single customer for 50,000 litres of a paint product. The total demand can be made up of a range of colour to be produced in a continuous production run after which a set-up of the machinery will be required to accommodate the colour change. The total output of each colour will be stored and then delivered to the customer as single load immediately before production of the next colour commences. The Set-up costs are ₹ 100 per set up. The Service is supplied by an outside company as required. The Holding costs are incurred on rented storage space which costs ₹ 50 per sq. meter per annum. Each square meter can hold 250 Litres suitably stacked. Find out the EBQ.
(a) 7,071 Litres (b) 7,000 Litres (c) 7,100 litres (d) 7,050 Litres

35. The total production cost under batch production comprises of _____main costs.
(a) one (b) two (c) three (d) Four

36. Amit Motors Ltd. manufactures pistons used in car engines. As per the study conducted by the Auto Parts Manufacturers Association, there will be a demand of 80 million pistons in the coming year. Amit Motors Ltd. is expected to have a market share of 1.15% of the total market demand of the pistons in the coming year. It is estimated that it costs Rs.1.50 as inventory holding cost per piston per month and that the set-up cost per run of piston manufacture is Rs. 3,500.
Calculate the optimum run size for piston manufacturing.
(a) 18,900 units (b) 18,915 units (c) 18,920 units (d) 18,930 units

37. Assuming that the company has a policy of manufacturing 40,000 pistons per run, CALCULATE the extra costs company would be incurring as compared to the optimum run suggested in above question.
(a) 80,500 (b) 1,71,500 (c) 98,765 (d) 41,735

38. Inventory carrying cost in the above question can be classified as
(a) Variable cost
(b) Fixed cost
(c) Either (a) or (b)
(d) None of the above

39. STT LLP. manufactures glass bottles for SB Ltd., a pharmaceutical company, which is ayurvedic medicines business. STT can produce 2,00,000 bottles in a month. Set-up cost of each production run is ₹ 5,200 and the cost of holding one bottle for a year is ₹1.50. As per an estimate SB Ltd. can order as much as 19,00,000 bottles in a year spreading evenly throughout the year. At present the STT manufactures 1,60,000 bottles in a batch.
Compute the Economic Batch Quantity for bottle production.
(a) 1,14,775 bottles (b) 1,82,400 bottles (c) 1,14,000 bottles (d) 1,15,772 bottles

40. Compute the annual cost saving to STT by adopting the EBQ of a production.
(a) 14,481.25 (b) 6,081.25 (c) 8,081.25 (d) 7,918.75

CA Vinod Ready

ANSWERS

21	B	31	B
22	C	32	C
23	B	33	A
24	A	34	A
25	B	35	B
26	D	36	B
27	A	37	C
28	A	38	A
29	B	39	A
30	A	40	D

CA Vinod Ready

EXPERT PROFESSIONAL ACADEMY PVT. LTD. - CA- INTER

9. JOB COSTING

1. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be
(a) Process costing (b) Operating costing (c) Job costing (d) None of the above

2. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is known as
(a) Bin card (b) Bill of Material (c) Material requisition slip (d) None of the above

3. Job costing is similar to that under Batch costing except with the difference that a
(a) Job becomes a cost unit
(b) Batch becomes the cost unit instead of a job
(c) Process becomes a cost unit
(d) None of the above

4. In job costing which of the following documents are used to record the issue of direct material to a job
(a) Goods received note (b) Material requisition (c) Purchase order (d) Purchase requisition

5. The most suitable cost system where the products differ in type of materials and work performed is
(a) Job Costing (b) Process Costing (c) Operating Costing (d) None of these

6. Which of the following statements is true
(a) Job cost sheet may be used for estimating profit of jobs
(b) Job costing cannot be used in conjunction with marginal costing
(c) A production order is an order received from a customer for particular jobs
(d) None of these

7. Which of the following statements is true
(a) Job cost sheet may be prepared for facilitating routing and scheduling of the job
(b) Job costing can be suitably used for concerns producing uniformly any specific product
(c) Job costing cannot be used in companies using standard costing
(d) Neither (a) nor (b) nor (c)

8. In case product produced or jobs undertaken are of diverse nature, the system of costing to be used should be
(a) Process costing (b) Operating costing (c) Job costing (d) None of the above

9. Which of the following statements is true
(a) Job cost sheet may be prepared for facilitating routing and scheduling of the job
(b) Job costing can be suitably used for concerns producing uniformly any specific product
(c) Job costing cannot be used in companies using standard costing
(d) Neither (a) nor (b) nor (c)

10. Job costing is similar to that under Batch costing except with the difference that a
(a) Job becomes a cost unit
(b) Batch becomes the cost unit instead of a job
(c) Process becomes a cost unit
(d) None of the above.

11. The production planning department prepares a list of materials and stores required for the completion of a specific job order, this list is known as
(a) Bin card (b) Bill of material (c) Material requisition slip (d) None of the above

12. Which of the following statements is/are correct?
1. A materials requisition note is used to record the issue of direct material to a specific job.
2. A typical job cost will contain actual costs for material, labour and production overheads, and non -production overheads are often added as a percentage of total production cost
3. The job costing method can be applied in costing batches
(a) (1) only
(b) (1) and (2) only
(c) (1) and (3) only
(d) (2) and (3) only

13. Non-production overheads might be added to the cost of the job
(a) As a percentage of the prime cost of the job
(b) As a percentage of the production cost of the job
(c) Either A or B
(d) None

14. The most suitable cost system where the products differ in type of materials and work performed is
(a) Job Costing (b) Process Costing (c) Operating Costing (d) None of these

15. Which of the following statements is true
(a) Job cost sheet may be used for estimating profit of jobs
(b) Job costing cannot be used in conjunction with marginal costing
(c) A production order is an order received from a customer for particular jobs
(d) None of these.

16. In job costing which of the following documents are used to record the issue of direct material to a job
(a) Goods received note (b) Material requisition (c) Purchase order (d) Purchase requisition

17. _____ is defined as the category of basic costing methods which is applicable where the work consists of separate contracts, jobs or batches, each of which is authorised by specific order or contract.
(a) Job Costing (b) Process Costing (c) Operating Costing (d) Contract Costing

18. According to _____ method, costs are collected and accumulated according to jobs, contracts, products or work orders.
(a) Job Costing (b) Process Costing (c) Operating Costing (d) Contract Costing

19. The basic object and purpose of all costing is to
(a) Analysis and ascertainment of cost of each unit of production
(b) Control and regulate cost
(c) Determine the profitability
(d) All of the above

20. _____ is a cost sheet, where the quantity of materials issued, hours spent by different class of employees, amount of other expenses and share of overheads are recorded.

(a)Job Cost Card (b) Bill of material (c) Material requisition slip (d) None of the above

ANSWERS

1	C	11	B
2	B	12	C
3	A	13	C
4	B	14	A
5	A	15	A
6	A	16	B
7	D	17	A
8	C	18	A
9	D	19	D
10	A	20	A

CA Vinod Ready

21. _____ work is the quantity of production that has been totally rejected and cannot be rectified.
(a) Spoiled (d) Damaged (c) Destroyed (d) Defective

22. _____work refers to production that is not as perfect as the saleable product but is capable of being rectified.
(a) Spoiled (d) Damaged (c) Destroyed (d) Defective

23. Where a percentage of defective work is allowed in a particular batch as it cannot be avoided
(a) the cost of rectification will be charged to the whole job and spread over the entire output of the batch
(b) the cost of rectification shall be written off as a loss
(c) cost of rectification will be charged to the department and will not be considered as cost of manufacture of the batch.
(d) the cost of rectifying to the extent provided for by the management will be treated as a normal cost and charged to the batch.

24. Where defect is due to the Inspection Department wrongly accepting incoming material of poor quality.
(a) the cost of rectification will be charged to the whole job and spread over the entire output of the batch
(b) the cost of rectification shall be written off as a loss
(c) cost of rectification will be charged to the department and will not be considered as cost of manufacture of the batch.
(d) the cost of rectifying to the extent provided for by the management will be treated as a normal cost and charged to the batch.

25. The advantages of Job costing are
(a) Profitability of each job can be derived.
(b) As lot of clerical process is involved the chances of error is more.
(c) Budgetary control and Standard Costing can be applied in job costing
(d) Both (a) & (c)

26. Under _____, a Job is carried out or a product is produced by specific orders.
(a) Job costing (b) Process Costing (c) Contract Costing (d) Batch Costing

27. Under _____, Costs are calculated at the end of the cost period.
(a) Job costing (b) Process Costing (c) Contract Costing (d) Batch Costing

28. Under _____, Costs are compiled on time basis i.e., for production of a given accounting period for each process or department.
(a) Job costing (b) Process Costing (c) Contract Costing (d) Batch Costing

29. Defects in work arise in the following circumstances
(a) Where a percentage of defective work is allowed in a particular batch as it cannot be avoided
(b) Where defect is due to bad workmanship
(c) Where defect is due to the Inspection Department wrongly accepting incoming material of poor quality
(d) All of the above

30. Format of Job Cost Sheet contains
(a) Description (b) Blue Print No. (c) Material No. (d) All of the above

31. The manufacturing cost of a work order is 1,00,000; 8% of the production against the order spoiled and the rejection is estimated to have a realisable value of Rs. 2,000 only. The normal rate of spoilage is 2%.
Find the net normal loss.
(a) Rs.2,000 (b) Rs. 1,500 (c) Rs. 4,500 (d) Rs. 4,000

32. Find the net abnormal loss in the above question.
(a) Rs.2,000 (b) Rs. 1,500 (c) Rs. 4,500 (d) Rs. 4,000

33. Compute estimated profit on a contract (which has been 90% complete) from the lowing particulars:

Total expenditure to date	22,50,000
Estimated further expenditure to complete the contract (including contingencies)	2,50,000
Contract price	32,50,000
Work certified	27,50,000
Work uncertified	1,75,000
Cash received	21,25,000

(a) Rs. 5,00,000 (b) Rs. 7,00,000 (c) Rs. 7,50,000 (d) Rs. 8,50,000

34. Calculate the notional profit for the period in the above question.
(a) Rs. 5,00,000 (b) Rs. 6,00,000 (c) Rs. 6,50,000 (d) Rs. 6,75,000

35. The following data relate to the manufacture of a standard product during the 4-week ended 28th February 2027:

Raw Materials Consumed	₹4,00,000
Direct Wages	₹2,40,000
Machine Hours Worked	3,200 hours
Machine Hour Rate	₹40
Office Overheads	10% of works cost
Selling Overheads	Rs. 20 per unit
Units produced and sold	10,000 at ₹120 each

Find out the cost per unit for the 4- week ended 28th February 2027.
(a) 104.40 (b) 104.48 (c) 104.60 (d) 105

36. Find out the profit for the 4- week ended 28th February 2027 in the above question.
(a) 1,55,000 (b) 1,55,200 (c) 1,55,800 (d) 1,56,000

37. Find the cost of sales in the above question.
(a) 10,55,000 (b) 10,44,200 (c) 10,44,800 (d) 10,46,000

38. Degree of completion of work in percentage can be calculated as
(a) Contract price * degree of completion in %
(b) (work certified / contract price) * 100
(c) value of work certified/ degree of completion
(d) None of the above

39. Work certified can be calculated as
(a) Contract price * degree of completion in %
(b) (work certified / contract price) * 100
(c) value of work certified/ degree of completion
(d) None of the above

40. Retention money may be calculated as
(a) Contract price * degree of completion in %
(b) (work certified / contract price) * 100
(c) value of work certified/ degree of completion
(d) None of the above

CA Vinod Reddy

ANSWERS

21	A	31	B
22	D	32	C
23	A	33	C
24	C	34	D
25	D	35	B
26	A	36	B
27	B	37	C
28	B	38	B
29	D	39	A
30	D	40	D

CA Vinod Ready

41. Contract price can be calculated as
(a) Contract price * degree of completion in %
(b) (work certified / contract price) * 100
(c) value of work certified/ degree of completion
(d) None of the above

42. Progress payment made by contractee can be calculated as
(a) Contract price * degree of completion in %
(b) Value of work certified – progress payment made by contractee
(c) Value of work certified – retention money
(d) None of the above

43. Retention money can be calculated as
(a) Contract price * degree of completion in %
(b) Value of work certified – progress payment made by contractee
(c) Value of work certified – retention money
(d) None of the above

44. In case of _____ contracts, the risk of loss lies with the contractor.
(a) Fixed price
(b) Cost plus
(c) Escalation
(d) Both (a) & (b)

45. In case of _____ contracts, there is no risk of loss with the contractor.
(a) Fixed price
(b) Cost plus
(c) Escalation
(d) Both (a) & (b)

46. Escalation clause is added in _____ contract.
a) Fixed price
(b) Cost plus
(c) Escalation
(d) Both (a) & (b)

47. Notional profit for the period maybe calculated as
(a) Value of work certified – cost of work certified
(b) Value of work certified – progress payment made by contractee
(c) Value of work certified – retention money
(d) None of the above

CA Vinod Ready

48. Cost of work uncertified =
(a) Cost of work certified – net expenditure till date
(b) Net expenditure till date - Cost of work certified
(c) Either (a) & (b)
(d) None of the above

49. _____ is usually refunded after completion of contract to the satisfaction of contractee.
(a) Escalation money
(b) Retention money
(c) Both (a) & (b)
(d) None of the above

50. Revised Contract price =
(a) Original Contract price + admissible escalation claim amount
(b) Original Contract price + Retention money
(c) Both (a) & (b)
(d) None of the above

CA Vinod Reddy

ANSWERS

41	C
42	C
43	B
44	A
45	B
46	A
47	A
48	B
49	B
50	A

CA Vinod Reddy

EXPERT PROFESSIONAL ACADEMY PVT. LTD. - CA- INTER

10. PROCESS COSTING

1. The type of process loss that should not be allowed to affect the cost of good units is
(a) Abnormal loss (b) Normal loss (c) Seasonal loss (d) Standard loss

2. 200 units were introduced in a process in which 20 units is the normal loss. If the actual output is 150 units, then there is
(a) No abnormal loss (b) No abnormal gain
(c) Abnormal loss of 30 units (d) Abnormal gain of 30 units

3. 100 units are processed at a total cost of ₹ 160, normal loss is 10%, & scrap units are sold @ ₹ 0.25 each. If the output is 80 units, then the value of abnormal loss is
(a) ₹ 2.50 (b) ₹ 16 (c) ₹ 17.50 (d) ₹ 17.75

4. When average method is used in process costing, the opening inventory costs are
(a) Subtracted from the new costs
(b) Added to the new costs
(c) Kept separate from the costs of the new period
(d) Averaged with other costs to arrive at total cost

5. Spoilage that occurs under inefficient operating conditions and is ordinarily controllable is called
(a) Normal spoilage (b) Abnormal spoilage (c) Normal defectives (d) None of the above

6. The cost of normal process loss is
(a) Absorbed by good units produced and amount realised by the sale of loss units should be debited to the process account
(b) Debited to costing profit and loss account
(c) Absorbed by good units produced
(d) Debited to costing profit and loss account and amount realised by the sale of loss units should be credited to the process account.

7. The value of abnormal loss is equal to
(a) Total cost of materials
(b) Total process cost less realizable value of normal loss
(c) Total process cost less cost of scrap
(d) Total process cost less realizable value of normal loss less value of transferred out goods

8. Inter-process profit is calculated, because
(a) a process is a cost centres
(b) each process has to report profit
(c) the efficiency of the process is measured
(d) the wages of employees are linked to the process profitability.

9. Under Weighted Average (Average) Method
(a) The cost to complete the opening WIP is ignored.
(b) The cost to complete the opening WIP and other completed units are calculated separately
(c) The cost of opening work-in-process and cost of the current period are aggregated and the aggregate cost is divided by output in terms of completed units
(d) Closing stock of work in process is valued at current cost.

10. A process account is debited by abnormal gain, the value is determined as
(a) Equal to the value of normal loss
(b) Cost of good units less realizable value of normal loss
(c) Cost of good units less realizable value of actual loss
(d) Equal to the value of good units less closing stock

11. Lean Labs develops 55mm film using a four-step process that moves progressively through four departments. The company specializes in overnight service and has the largest drug store chain as its primary customer. Currently, direct labor, direct materials, and overhead are accumulated by departments. The cost accumulation system that best describes the system Lean Labs is using is
(a) Operation costing (b) Activity-based costing (c) Job-order costing (d) Process costing.

12. When compared with normal spoilage, abnormal spoilage
(a) Arises more frequently from factors that are inherent in the manufacturing process
(b) Is given the same accounting treatment as normal spoilage
(c) Is generally thought to be more controllable by purchase department than production department
(d) Is not typically influenced by the "tightness" of production standards.

13. Assume 550 units were worked on during a period in which a total of 500 good units were completed. Normal spoilage consisted of 30 units; abnormal spoilage, 20 units. Total production costs were ₹ 2,200. The company accounts for abnormal spoilage separately on the income statement as loss due to abnormal spoilage. Normal spoilage is not accounted for separately. What is the cost of the good units produced?
(a) ₹ 2,080 (b) ₹ 2,115 (c) ₹ 2,200 (d) ₹ 2,332

14. VR Limited uses process costing systems and inspects its goods post manufacturing. An engineer noticed on May 31st the following: Good units completed : 15,000
Normal spoilage (units) : 300
Abnormal spoilage (units) : 100
Unit costs were: Material ₹ 2.50 and conversion costs (Labour & overheads) ₹ 6.00.
The number of units that company would transfer to its finished goods stock and the related cost of these units are
(a) 15,000 units transferred at a cost of ₹ 127,500
(b) 15,000 units transferred at a cost of ₹ 130,050
(c) 15,000 units transferred at a cost of ₹ 135,000
(d) 15,300 units transferred at a cost of ₹ 130,050

15. In process, conversion cost means
(a) Cost of direct materials, direct labour, direct expenses
(b) Direct labour, direct expenses, indirect material, indirect labour, indirect expenses
(c) Prime cost plus factory overheads
(d) All costs up to the product reaching the consumer, less direct material costs

16. In a process 30000 units are introduced during a period. 5% of input is normal loss. Closing work-in-process 60% complete is 3000 units. 26500 completed units are transferred to next process. Unit scrapped are 60% complete. Equivalent production for the period is
(a) 30000 units (b) 28900 units (c) 29200 units (d) 27300 units

17. ABC Ltd manufactures chemical 'X' that passes through three different process before being converted into final product. The output of each process is transferred to next process and there is no opening and closing stock of WIP. Process loss is 10% of total inputs in each process. Following are the details of abnormal loss in each process.
Process I: 3000 units
Process II: 2300 units
Process III: 2400 units
Final output of process III is 80580 units. Inputs introduced in Process III will be
(a) 100000 units (b) 110000 units (c) 120000 units (d) 115860 units

18. Boiler house costing is an example of _____ costing
(a) Contract (b) Process (c) Service (d) All of above

19. The following information is given: Input of raw material 20,000 units @ 8 per unit Direct Wages 1,20,000 Production Overhead 75,500 Actual output transferred to next process 19,250 units Normal Loss 5% of inputs, Sale of scrap 8 per unit. Calculate the amount to be transferred to costing profit and loss account
(a) 4,572.25 Cr side
(b) 4,572.25 Dr side
(c) 2,572.25 Dr side
(d) 2,572.25 Cr side

20. The following information is given to you
Input of raw material is 30,000 units, output 28,750 units. If the normal loss is 5% of input, then
(a) Normal loss of 1550 units
(b) Abnormal loss of 250 units
(c) Abnormal gain of 250 units
(d) Either abnormal loss of 250 units or abnormal gain of 250 units

CA Vinod Reddy

ANSWERS

1	A	11	D
2	C	12	D
3	C	13	B
4	B	14	B
5	B	15	B
6	C	16	D
7	D	17	C
8	C	18	C
9	C	19	D
10	B	20	C

CA Vinod Ready

21. In electricity supply company uses cost unit as
(a) Kilo watt hour (b) per household (c) voltage (d) None of these

22. ABC Ltd manufactures chemical 'Y' that passes through three different process before being converted into final product. The output of each process is transferred to next process and there is no opening and closing stock of WIP. Process loss is 5% of total inputs in each process. Following are the details of abnormal loss/gain in each process.
Process I: 50 units Abnormal gain
Process II: 135 units Abnormal loss
Process III: 125 units Abnormal loss
Final output of process III is 29800 units. Inputs introduced in Process III will be
(a) 35500 units (b) 34818 units (c) 34515 units (d) 35000 units

23. In a process 10000 units are introduced during 2022-23. 10% of input is normal loss. Closing work-in-progress 80% complete is 1800 units. 7000 completed units are transferred to next process. Equivalent no of units for closing WIP will be
(a) 1440 units (b) 360 units (c) 8440 units (d) 7000 units

24. In process costing, each producing department is a
(a) Cost centre (b) Cost unit (c) Investment centre (d) Revenue centre

25. In a process 20,000 units are introduced during a period. 5% of input is normal loss. Closing work-in-process 40% complete is 2000 units. 16,500 completed units are transferred to next process. Unit scrapped are 60% complete. Equivalent production for the period is
(a) 20,000 units (b) 17,300 units (c) 18,200 units (d) 17,600 units

26. In a particular process 28000 units are introduced during a period. 5% of input is normal loss. Closing work in progress 60% complete is 2600 units. 24000 completed units are transferred to next process. Equivalent production for the period is
(a) 25040 units (b) 28000 units (c) 25560 units (d) 24000 units

27. In XYZ Ltd. 12,000 units of raw material were introduced in Process-A. The actual output and normal loss of respective processes are as follows: Process Output Normal loss A 10500 10% B 8800 15% C 7200 20% Abnormal Gain in Process C will be
(a) 140 Units (b) 150 Units (c) 160 Units (d) 155 Units

28. What will be the impact of normal loss on the overall per unit cost?
(a) Per unit cost will decrease
(b) Per unit cost remain unchanged
(c) Per unit cost will increase
(d) Normal loss has no relation to unit cost

29. The hospital is opened for 365 days and consist of 40 beds and 10 more beds can be hired if required. It was estimated that for 165 days in a year 30 beds were occupied; for 120 days 38 beds were occupied. The hospital hired extra 800 beds @ 200 per bed. Calculate the number of patient beds

(a) 9,510 (b)10,310 (c) 10,130 (d)13,510

30. The following information is available in respect of Process I: Raw material purchased and introduced 10,000 units @ 5 per unit Raw Material received from store 4000 units @ 6 per unit Direct Labour 40,000 Overheads 28,000 Output of Process is 13,500 units, Normal wastage 5% of inputs Scrap value of wastage 4 per unit. The value of Abnormal Gain is

(a) 2062.68 (b) 2135.34 (c) 2103.70 (d) 2093.2

31. Process cost is very much applicable in

(a) Construction Industry
(b) Telecommunication Industry
(c) Pharmaceutical Industry
(d) None of above

32. The following information is given: Input of raw material 35,000 units, Process cost 278000, Actual output transferred to next process 30,200 units, Normal Loss 10% of inputs, Sale of scrap 3 per unit. Calculate the amount to be transferred to costing profit and loss account

(a) 7,139.68 Cr side
(b) 7,139.68 Dr side
(c) 11,039.68 Dr side
(d) 11,039.68 Cr side

33. _____ is a method of costing used in industries where the material has to pass through two or more processes

(a) Process Costing (b) Job Costing (c) Contract Costing (d) Unit costing

34. _____ is defined as a method of Cost Accounting whereby costs are charged to processes or operations and averaged over units produced.

(a) Process Costing (b) Job Costing (c) Contract Costing (d) Unit costing

35. The Cost of each process comprises the cost of

(a) Materials (b) Employee Cost (c)Direct expenses (d) All of the above

36. _____ is defined as the loss of material arising during the course of a processing operation and is equal to the difference between the input quantity of the material and its output.

(a) Normal Loss (b) Abnormal Loss (c) Process loss (d) Unit Loss

37. Normal Process Loss is also known as normal wastage.

(a) True (b) False (c) Partially true (d) Partially False

38. _____ is defined as the loss of material which is inherent in the nature of work.
(a) Normal Loss (b) Abnormal Loss (c) Process loss (d) Unit Loss

39. A product passes through Process- I and Process- II. Materials issued to Process- I amounted to ₹ 40,000, Wages ₹ 30,000 and manufacturing overheads were ₹ 27,000. Normal loss anticipated was 5% of input. 4,750 units of output were produced and transferred-out from Process-I. There were no opening stocks. Input raw material issued to Process-I were 5,000 units. Scrap has no realisable value. Find Value of Normal loss (in rupees).
(a) 4750 (b) 5000 (c) 250 (d) 0

40. A product passes through Process- I and Process- II. Materials issued to Process- I amounted to ₹ 40,000, Wages ₹ 30,000 and manufacturing overheads were ₹ 27,000. Normal loss anticipated was 5% of input. 4,750 units of output were produced and transferred-out from Process-I. There were no opening stocks. Input raw material issued to Process-I were 5,000 units. Scrap has realisable value of ₹ 2 per unit. Find Value of Normal loss (in rupees).
(a) 250 (b) 500 (c) 750 (d) 1000

CA Vinod Reddy

ANSWERS

21	A	31	C
22	D	32	B
23	A	33	A
24	A	34	A
25	D	35	D
26	C	36	C
27	C	37	A
28	C	38	A
29	D	39	D
30	D	40	B

CA Vinod Ready

41. Abnormal Process Loss is also known as abnormal wastage
(a) True (b) False (c) Partially true (d) Partially false

42. _____ is defined as the loss in excess of the pre-determined loss.
(a) Normal Loss (b) Abnormal Loss (c) Process Loss (d) Unit Loss

43. The total cost of abnormal process loss is debited to _____.
(a) Costing profit and loss Account
(b) Process Account
(c) Abnormal Loss Account
(d) None of the above

44. When the actual production exceeds the expected figures, the difference between actual and expected loss or actual and expected production is known as _____.
(a) Abnormal gain (b) Abnormal yield (c) Both (a) & (b) (d) None of above

45._____ means converting the incomplete production units into their equivalent completed units.
(a) Equivalent units (b) Equal Units (c) Equality Units (d) None of above

46. Equivalent units can be calculated as
(a) Actual number of units in the process of manufacture × Percentage of Work complete.
(b) Actual number of units in the process of manufacture / Percentage of Work complete.
(c) Both (a) & (b)
(d) Neither (a) nor (b)

47. Steps in process costing includes
(a) Analysis of physical flow of production units
(b) Calculation of equivalent units for each cost elements
(c) Determination of total cost for each cost element
(d) All of the above

48. Mainly method(s) for valuation of work-in-process is/are
(a) First-in-First Out (FIFO) method
(b) Weighted Average (Average) method
(c) Last-in-Last Out (LIFO) Method
(d) Both (a) & (b)
(e) Both (a) & (c)

49. Under _____method the units completed and transferred are taken from both opening work-in-process (WIP) and freshly introduced materials/inputs.
(a) First-in-First Out (FIFO) method
(b) Weighted Average (Average) method
(c) Last-in-Last Out (LIFO) Method
(d) Simple Average Method

50. Under _____ method, the cost of opening work-in-process and cost of the current period are aggregated and the aggregate cost is divided by output in terms of completed units.
(a) First-in-First Out (FIFO) method
(b) Weighted Average (Average) method
(c) Last-in-Last Out (LIFO) Method
(d) Simple Average Method

51. The difference between cost and the transfer price is known as _____.
(a) Inter-job Profits
(b) Inter-process Profits
(c) Inter-Company Profits
(d) Inter-Departmental Profit

52. The advantages of inter-process profit are
(1) Comparison between the cost of output and its market price at the stage of completion is facilitated
(2) Each process is made to stand by itself as to the profitability
(3) The use of inter-process profits involves complication
(a) Only (1) (b) (1) & (2) (c) (2) & (3) (d) Only (3)

53. Operation Costing method is also known as _____ system.
(a) Hybrid Process Costing
(b) Hybrid Price Costing
(c) Hybrid Product Costing
(d) None of the above

54. Under_____, conversion costs are applied to products using a predetermined application rate.
(a) Operation costing (b) Inter-process Costing (c) Job Costing (d) Unit Costing

55. The main difference between FIFO method and average method is that units of opening work in process and their cost are taken in _____ under average method.
(a) Zero (b) Full (c) Half (d) Quarter

56. Industries where operation costing is applied are
(a) Ready-made garments
(b) Jewellery making
(c) both (a) & (b)
(d) None of the above

57. The advantages of using inter-process profit, in the case of process type industries are
(a) The use of inter-process profits involves complication.
(b) Comparison between the cost of output and its market price at the stage of completion is facilitated.
(c) Each process is made to stand by itself as to the profitability.
(d) Both (b) & (c)

58. The cost of normal process loss in practice is
(a) absorbed by good units produced under the process
(b) credited to the process account from which it arises
(c) debited to costing profit and loss account.
(d) None of the above.

59. The cost of an abnormal process loss is
(a) absorbed by good units produced under the process
(b) credited to the process account from which it arises
(c) debited to costing profit and loss account.
(d) Both (b) & (c)

60. Treatment of Abnormal Gain in Cost Accounts is
(a) The process account under which abnormal gain arises is debited with the abnormal gain and credited to abnormal gain account which will be closed by transferring to the Costing Profit and Loss account.
(b) The process account under which abnormal gain arises is credited with the abnormal gain and debited to abnormal gain account which will be closed by transferring to the Costing Profit and Loss account.
(c) Either (a) or (b)
(d) None of the above

CA Vinod Reddy

ANSWERS

41	A	51	B
42	B	52	B
43	A	53	C
44	C	54	A
45	A	55	B
46	A	56	C
47	D	57	D
48	D	58	A
49	A	59	D
50	B	60	A

CA Vinod Ready

EXPERT PROFESSIONAL ACADEMY PVT. LTD. - CA- INTER

11. JOINT AND BY PRODUCTS COSTING

1. In sugar manufacturing industries molasses is also produced along with sugar. Molasses may be of smaller value as compared with the value of sugar and is known as

(a) Common product (b) By- product (c) Joint product (d) None of them

2. Method of apportioning joint costs on the basis of output of each joint product at the point of split off is

(a) Sales value method (b) Physical unit method

(c) Average cost method (d) Marginal cost and contribution method

3. In the Net realisable value method, for apportioning joint costs over the joint products, the basis of apportionment would be

(a) Selling price per unit of each of the joint products

(b) Selling price multiplied by units sold of each of the joint products

(c) Sales value of each joint product less further processing costs of individual products

(d) Both (b) and (c)

4. The main purpose of accounting of joint products and by- products is to

(a) Determine the opportunity cost

(b) Determine the replacement cost

(c) Determine profit or loss on each product line

(d) None of the above

5. Under net realizable value method of apportioning joint costs to joint products, the selling & distribution cost is

(a) Added to joint cost

(b) Deducted from further processing cost

(c) Deducted from sales value

(d) Ignored

6. Which of the following is a co-product

(a) Diesel and Petrol in an oil refinery

(b) Edible oils and oil cakes

(c) Curd and butter in a dairy

(d) Mustard oil and Sunflower oil in an oil processing company.

7. Which of the following is an example of by-product

(a) Diesel and Petrol in an oil refinery

(b) Edible oils and oil cakes

(c) Curd and butter in a dairy

(d) Mustard seeds and mustard oil

8. Which of following method can be used when the joint products are of unequal quantity and used for captive consumption
(a) Technical estimates, using market value of similar goods
(b) Net Realisable value method
(c) Physical Units method
(d) Market value at split-off method

9. Which of the following statement is not correct in relation to Co-products
(a) Co-products may also have joint products
(b) Costing for co-products are done according to process costing method
(c) Co-products do not have any by-products
(d) Co-products are treated as a separate cost object for costing purpose

10. When a by-product does not have any realisable value, the cost of by product is
(a) Transferred to Costing Profit & Loss A/c
(b) By-product cost is borne by the good units
(c) By-product cost is ignored
(d) By-product cost is determined taking value of similar goods

11. VR Ltd manufactures two products from a joint milling process. The two products developed are Mine support (MS) and Commercial building (CB). A standard production run incurs joint costs of ₹ 1,00,000 and results in 60,000 units of MS and 90,000 units of CB. Each MS sells for ₹ 200 per unit, and each CB sells for ₹ 450 per unit. Assuming no further processing work is done after the split-off point, the amount of joint cost allocated to Commercial building (CB) on a physical quantity allocation basis would be
(a) ₹ 60,000 (b) ₹ 180,000 (c) ₹ 225,000 (d) ₹ 120,000.

12. Amit Company manufactures two hair care lotions, Mimi and Mini, out of a joint process. The joint (common) costs incurred are ₹ 6,30,000 for a standard production run that generates 1,80,000 gallons of Mimi and 1,20,000 gallons of Mini. Mimi sells for ₹ 240 per gallon, and Mini sells for ₹ 390 per gallon. If additional processing costs beyond the split-off point are ₹ 140 per gallon for Mimi and ₹ 90 per gallon for Mini, the amount of joint cost of each production run allocated to Mimi on a physical-quantity basis is
(a) ₹ 340,000 (b) ₹ 378,000 (c) ₹ 232,000 (d) ₹ 580,000

13. For the purpose of allocating joint costs to joint products, the sales price at point of sale, reduced by cost to complete after split-off, is assumed to be equal to the
(a) Joint costs
(b) Sales price less a normal profit margin at point of sale
(c) Net sales value at split off
(d) Total costs

14. Method of apportioning joint costs on the basis of output of each joint product at the point of split off is
(a) Sales value method
(b) Physical unit method
(c) Average cost method
(d) Marginal cost and contribution method

15. In sugar manufacturing industries molasses is also produced along with sugar. Molasses may be of smaller value as compared with the value of sugar and is known as
(a) Common product (b) By- product (c) Joint product (d) None of them

16. For the purpose of allocating joint costs to joint products, the sales price at point of sale, reduced by cost to complete after split-off, is assumed to be equal to the
(a) Joint costs
(b) Sales price less a normal profit margin at point of sale
(c) Net sales value at split off
(d) Total costs

17. Which of the following is an example of by-product
(a) Diesel and Petrol in an oil refinery
(b) Edible oils and oil cakes
(c) Curd and butter in a dairy
(d) Mustard seeds and mustard oil

18. When a company produces two different products through a common production process, the factor that determines whether the two products are joint products or one main product and one by-product is the
(a) Management policy about individual products
(b) Relative sales value of individual products
(c) Potential marketability for individual products
(d) Amount of work done in the production of individual products

19. When a company produces two different products through a common production process, the factor that determines whether the two products are joint products or one main product and one by-product is the
(a) Management policy about individual products
(b) Relative sales value of individual products
(c) Potential marketability for individual products
(d) Amount of work done in the production of individual products

20. Which of following method can be used when the joint products are of unequal quantity and used for captive consumption
(a) Technical estimates, using market value of similar goods
(b) Net Realisable value method
(c) Physical Units method
(d) Market value at split-off method.

CA Vinod Ready

ANSWERS

1	B	11	A
2	B	12	B
3	D	13	C
4	C	14	B
5	C	15	B
6	D	16	C
7	B	17	B
8	A	18	B
9	C	19	B
10	B	20	A

CA Vinod Ready

21. The main purpose of accounting of joint products and by-products is to
(a) Determine the opportunity cost
(b) Determine the replacement cost
(c) Determine profit or loss on each product line
(d) None of the above

22. Under net realizable value method of apportioning joint costs to joint products, the selling & distribution cost is
(a) Added to joint cost
(b) Deducted from further processing cost
(c) Deducted from sales value
(d) Ignored

23. In case of joint products, the main objective of accounting of the cost is to apportion the joint costs incurred up to the split off point. For cost apportionment one company has chosen Physical Quantity Method. Three joint products Xx, Yy and Zz are produced in the same process. Up to the point of split off the total production of A, B and C is 60,000 kg, out of which Xx produces 30,000 kg and joint costs are Rs. 3,60,000. Joint costs allocated to product A is
(a) Rs. 1,20,000
(b) Rs. 60,000
(c) Rs. 1,80,000
(d) None of the these

24. When a company produces two different products through a common production process, the factor that determines whether the two products are joint products or one main product and one by-product is the
(a) Management policy about individual products
(b) Relative sales value of individual products
(c) Potential marketability for individual products
(d) Amount of work done in the production of individual products

25. Anushka Ltd manufactures two products from a joint milling process. The two products developed are AS and AR. A standard production run incurs joint costs of 1,00,000 and results in 60,000 units of AS and 90,000 units of AR. Each AS sells for 200 per unit, and each AR sells for₹ 450 per unit.
Assuming no further processing work is done after the split-off point, the amount of joint cost allocated to AR on a physical quantity allocation basis would be
(a) ₹60,000 (b) ₹180,000 (c) ₹ 225,000 (d) ₹ 120,000

26. Vinod Company manufactures two body lotions, Ivy and Ovy, out of a joint process. The joint (common) costs incurred are 6,30,000 for a standard production run that generates 1,80,000 gallons of Ivy and 1,20,000 gallons of Ovy. Ivy sells for 240 per gallon, and Ovy sells for 390 per gallon.
If additional processing costs beyond the split-off point are 140 per gallon for Ivy and 90 per gallon for Ovy, the amount of joint cost of each production run allocated to Ivy on a physical-quantity basis is
(a) ₹340,000 (b) 378,000 (c) ₹232,000 (d) 580,000

27. A budget which is prepared in a manner so as to give the budgeted cost for any level of activity is known as
(a) Master budget (b) Zero base budget (c) Functional budget (d) Flexible budget

28. Which of the following statement is not correct in relation to Co-products
(a) Co-products may also have joint products
(b) Costing for co-products are done according to process costing method
(c) Co-products do not have any by-products
(d) Co-products are treated as a separate cost object for costing purpose

29. When a by-product does not have any realisable value, the cost of by-product is
(a) Transferred to Costing Profit & Loss A/c
(b) By-product cost is borne by the good units
(c) By-product cost is ignored
(d) By-product cost is determined taking value of similar goods

30. In the Net realisable value method, for apportioning joint costs over the joint products, the basis of apportionment would be
(a) Selling price per unit of each of the joint products
(b) Selling price multiplied by units sold of each of the joint products
(c) Sales value of each joint product less further processing costs of individual products
(d) Both (b) and (c)

31. _____ means two or more products separated in the course of the same processing operation usually requiring further processing.
(a) Joint products (b) By products
(c) Add on products (d) Co Products

32. Two or more products of equal importance, produced, simultaneously from the same process, with each having a significant relative sale value are known as _____.
(a) Joint products (b) By products
(c) Add on products (d) Co Products

33. _____ are products recovered from material discarded in a main process, or from the production of some major products.
(a) Joint products (b) By products
(c) Add on products (d) Co Products

34. _____ is a product which is recovered incidentally from the material used in the manufacture of main or desired products.
(a) Joint products (b) By products
(c) Add on products (d) Co Products

35. _____is a secondary or subsidiary product which emanates as a result of manufacture of the main product.
(a) Joint products (b) By products
(c) Add on products (d) Co Products

36. The point at which joint or by products are separated from the main product or products is known as _____.

(a) Take-off Point (b) Cut-off Point (c) Split-off point (d) Site-off point

37. _____ are of equal importance whereas _____ are of small economic value.

(a) By-products, Joint products

(b) Joint products, by-products

(c) Both (a) & (b)

(d) None of the above

38. _____ are produced simultaneously but the _____are produced incidentally in addition to the main products.

(a) By-products, Joint products

(b) Joint products, by-products

(c) Both (a) & (b)

(d) None of the above

39. _____ may be defined as two or more products which are contemporary but do not emerge necessarily from the same material in the same process.

(a) Joint products (b) By products

(c) Add on products (d) Co Products

40. _____ are the expenditures incurred up-to the point of separation.

(a) Split off costs

(b) By Products costs

(c) Joint costs

(d) Separation Costs

CA Vinod Ready

ANSWERS

21	C	31	A
22	C	32	A
23	C	33	B
24	B	34	B
25	A	35	B
26	B	36	C
27	D	37	B
28	C	38	B
29	B	39	D
30	D	40	C

CA Vinod Ready

41. The commonly used methods for apportioning total process costs upto the point of separation over the joint products are
(a) Physical Units Method
(b) Net Realisable Value at split-off point
(c) Using Technical Estimates
(d) All of the above

42. _____method is based on the assumption that the joint products are capable of being measured in the same units.
(a) Physical Units Method
(b) Net Realisable Value at split-off point
(c) Using Technical Estimates
(d) Contribution margin method

43. _____ method is used when the realisable value of joint products at split-off is not known.
(a) Physical Units Method
(b) Net Realisable Value at split-off point
(c) Using Technical Estimates
(d) Contribution margin method

44. _____ method uses technical estimates to apportion the joint costs over the joint products.
(a) Physical Units Method
(b) Net Realisable Value at split-off point
(c) Using Technical Estimates
(d) Contribution margin method

45. _____ method is used for the apportionment of joint costs to joint products up-to the split off point.
(a) Market value at the point of separation
(b) Market value after further processing
(c) Average unit cost method
(d) Contribution margin method

46. Under _____ method, the basis of apportionment of joint cost is the total sales value of finished products.
(a) Market value at the point of separation
(b) Market value after further processing
(c) Average unit cost method
(d) Contribution margin method

47. Under _____ method, total process cost (up-to the point of separation) is divided by total units of joint products produced.
(a) Market value at the point of separation
(b) Market value after further processing
(c) Average unit cost method
(d) Contribution margin method

48. According to _____ method, joint costs are segregated into two parts - variable and fixed.
(a) Market value at the point of separation
(b) Market value after further processing
(c) Average unit cost method
(d) Contribution margin method

49. Average unit cost can be calculated as
(a) Total process cost (up-to the point of separation) * Total units of joint product produced.
(b) Total process cost (up-to the point of separation) ÷ Total units of joint product produced.
(c) Total units of joint product produced ÷ Total process cost (up-to the point of separation).
(d) None of the above

50. Under _____ method of apportionment of joint cost to by products, the value of the by-product is ascertained with reference to the price of a similar or an alternative material.
(a) Standard cost in Technical Estimates
(b) Re-use basis
(c) Comparative price
(d) Net Realisable Value method

51. _____ method of apportionment of joint cost to by products, may be adopted where the by-product is not saleable in the condition in which it emerges or comparative prices of similar products are not available.
(a) Standard cost in Technical Estimates
(b) Re-use basis
(c) Comparative price
(d) Net Realisable Value method

52. When the by-products are of small total value, the amount realised from their sale may be
(a) Credited to the Costing Profit and Loss Account
(b) Treated as deductions from the total costs.
(c) Both (a) & (b)
(d) None of the above

53. Where by-products are of considerable total value, they may be
(a) Credited to the Costing Profit and Loss Account
(b) Treated as deductions from the total costs.
(c) regarded as joint products rather than as by-products
(d) Both (a) & (c)

54. Under _____ method of apportionment of joint cost to by-products, The value put on the by-product should be same as that of the materials introduced into the process.
(a) Standard cost in Technical Estimates
(b) Re-use basis
(c) Comparative price
(d) Net Realisable Value method

55. Where the by-products require further processing, the net realisable value of the by-product at the split-off point may be arrived at by
(a) subtracting the further processing cost from the realisable value of by-products
(b) adding the further processing cost from the realisable value of by-products
(c) dividing the further processing cost from the realisable value of by-products
(d) multiplying the further processing cost from the realisable value of by-products

56. Answer the questions 56 to 60 from the below data.
The joint cost of making 50 units of product A, 100 units of product B and 150 units of product C is Rs. 900. The selling prices of product A, B and C are 2, 3 and 4 per unit respectively. The product does not require any further processing after split-off point. Find the amount of joint cost apportioned to product A.
(a) Rs. 90 (b) Rs. 270 (c) Rs. 540 (d) Rs. 600

57. Find the amount of joint cost apportioned to product B.
(a) Rs. 90 (b) Rs. 270 (c) Rs. 540 (d) Rs. 600

58. Find the amount of joint cost apportioned to product C.
(a) Rs. 90 (b) Rs. 270 (c) Rs. 540 (d) Rs. 600

59. Calculate the amount of profit/(loss) of Joint product A.
(a) Rs. 10 (b) Rs. 20 (c) Rs. 50 (d) Rs. 60

60. Calculate the amount of profit/(loss) of Joint product C.
(a) Rs. 10 (b) Rs. 20 (c) Rs. 50 (d) Rs. 60

CA Vinod Reddy

ANSWERS

41	D	51	A
42	A	52	C
43	B	53	C
44	C	54	B
45	A	55	A
46	B	56	A
47	C	57	B
48	D	58	C
49	B	59	A
50	C	60	D

CA Vinod Ready

CA Vinod Reddy

61. Answer questions from 61 to 64 using the below data:
Shiva Co. Ltd., manufactures two joint products A and B and sells them at 8 and 10 per unit respectively. During a particular period 300 units of A and 200 units of B were produced and sold. The joint cost incurred was Rs. 3,520 and no record has been kept of further processing costs. Find the amount of Joint cost apportioned to product A.
(a) Rs. 1,900 (b) Rs. 1,920 (c) Rs. 1,600 (d) Rs. 3,520

62. Find the amount of Joint cost apportioned to product B.
(a) Rs. 1,900 (b) Rs. 1,920 (c) Rs. 1,600 (d) Rs. 3,520

63. Find the Total sales value of joint product A at final selling price
(a) Rs. 2,400 (b) Rs. 2,000 (c) Rs. 2,600 (d) Rs. 2,520

64. Find the Total sales value of joint product B at final selling price
(a) Rs. 2,400 (b) Rs. 2,000 (c) Rs. 2,600 (d) Rs. 2,520

65. Answer questions from 65 to 67 based on the below data:
A company produces two joint products A and B.
Sales A - 100 kg, @ Rs.60 per kg. and B-120 kg. @ Rs. 130 per kg.
Total Cost: Marginal cost ₹4,400 and Fixed cost ₹3,900.
Find the amount of marginal joint cost apportioned to product A.
(a) Rs. 2,400 (b) Rs. 2,000 (c) Rs. 2,600 (d) Rs. 2,520

66. Find the amount of marginal joint cost apportioned to product B.
(a) Rs. 2,400 (b) Rs. 2,000 (c) Rs. 2,600 (d) Rs. 2,520

67. Find the amount of fixed joint cost apportioned to product A.
(a) Rs. 3,000 (b) Rs. 4,000 (c) Rs. 3,600 (d) Rs. 3,520

68. Find the amount of Fixed joint cost apportioned to product B.
(a) Rs. 400 (b) Rs. 200 (c) Rs. 600 (d) Rs. 900

69. Find the amount of Profit/(loss) of product A.
(a) Rs. 1,000 (b) Rs. (2,000) (c) Rs. (1,600) (d) Rs. 1,400

70.Find the amount of Profit/(loss) of product B.
(a) Rs. 600 (b) Rs. (600) (c) Rs. (300) (d) Rs. 300

71. Answer the questions from 71 to 76 based on below data:
Joint Cost is 6,00,000 out of which ₹ 2,00,000 is fixed.
Joint Product A: 300kgs; Selling Price per unit = Rs. 1000
Joint Product B: 500kgs; Selling Price per unit = Rs. 600
Joint Product C: 200kgs; Selling Price per unit = Rs. 1500
Find the amount of variable joint cost apportioned to product A.
(a) Rs. 1,20,000 (b) Rs. 2,00,000 (c) Rs. 80,000 (d) Rs. 1,50,000

72. Find the amount of variable joint cost apportioned to product B.
(a) Rs. 1,20,000 (b) Rs. 2,00,000 (c) Rs. 80,000 (d) Rs. 1,50,000

73. Find the amount of variable joint cost apportioned to product C.
(a) Rs. 1,20,000 (b) Rs. 2,00,000 (c) Rs. 80,000 (d) Rs. 1,50,000

74. Find the amount of Fixed joint cost apportioned to product A.
(a) Rs. 72,000 (b) Rs. 88,000 (c) Rs. 40,000 (d) Rs. 60,000

75. Find the amount of Fixed joint cost apportioned to product B.
(a) Rs. 72,000 (b) Rs. 88,000 (c) Rs. 40,000 (d) Rs. 60,000

76. Find the amount of Fixed joint cost apportioned to product C.
(a) Rs. 72,000 (b) Rs. 88,000 (c) Rs. 40,000 (d) Rs. 60,000

77. Answer questions from 77 to 80 based on following case scenario.
In a certain period 300 units of main product are produced and 200 units are sold at 30 per unit. The by-product emerging from the main product is sold at 600. The total cost of production of 300 units is 4,500. Calculate the amount of Closing stock if the by-product value is credited to cost of production.
(a) Rs. 1,000 (b) Rs. 1,300 (c) Rs. 1,500 (d) Rs. 2,000

78. Calculate the amount of gross profit/(loss) if the by-product value is credited to cost of production.
(a) Rs. 3,000 (b) Rs. (3,000) (c) Rs. 3,400 (d) Rs. (2,000)

79. Calculate the amount of Closing stock if the by-product value is credited to cost of sales.
(a) Rs. 1,000 (b) Rs. 1,300 (c) Rs. 1,500 (d) Rs. 2,000

80. Calculate the amount of gross profit/(loss) if the by-product value is credited to cost of sales.
(a) Rs. 3,300 (b) Rs. (3,600) (c) Rs. (3,300) (d) Rs. 3,600

CA Vinod Reddy

ANSWERS

61	B	71	A
62	C	72	B
63	A	73	C
64	B	74	A
65	B	75	C
66	A	76	B
67	A	77	B
68	D	78	C
69	A	79	C
70	D	80	D

CA Vinod Ready

12. SERVICE COSTING

1. Composite cost unit for a hospital is
(a) Per patient (b) Per patient-day (c) Per day (d) Per bed

2. Cost of diesel and lubricant is an example of
(a) Operating cost (b) Fixed charges (c) Semi-variable cost (d) None of the above

3. Cost units used in power sector is
(a) Kilo meter (K.M) (b) Kilowatt-hour (kWh) (c) Number of electric points (d) Number of hours

4. Absolute Tonne-km. is an example of
(a) Composite units in power sector
(b) Composite unit of transport sector
(c) Composite unit for bus operation
(d) Composite unit for oil and natural gas

5. Depreciation is treated as fixed cost if it is related to
(a) Activity level (b) Related with machine hours (c) Efflux of time (d) None of the above

6. Jobs undertaken by IT & ITES organizations are considered as
(a) Project (b) Batch work (c) Contract (d) All the above

7. In Toll Road costing, the repetitive costs include
(a) Maintenance cost (b) Annual operating costs (c) None of the above (d) Both (a) and (b)

8. BOT approach means
(a) Build, Operate and Transfer
(b) Buy, Operate and Transfer
(c) Build, Operate and Trash
(d) Build, Own and Trash

9. Pre-product development activities in insurance companies, include
(a) Processing of Claim
(b) Selling of policy
(c) Provision of conditions
(d) Policy application processing

10. Which of the following costing method is not appropriate for costing of educational institutes
(a) Batch Costing (b) Activity Based Costing (c) Absorption Costing (d) Process Costing

11. BOT approach means
(a) Build, Operate and Transfer
(b) Buy, Operate and Transfer
(c) Build, Operate and Trash
(d) Build, Own and Trash

12. In service costing, costs are classified as
(a) Variable cost, fixed cost & marginal cost
(b) Standing charges, running charges & maintenance costs
(c) Fixed cost, normal cost & standard cost
(d) Standard cost, marginal cost & fixed cost

13. Sharma Ferry services Pvt Ltd. provide ferry services between two towns. Distance one way is 18.52 nautical miles. Seating capacity of a ferry is 125 passengers. Actual passengers carried in each trip is 80% of seating capacity. Ferry run on all days of month (30 days). Ferry makes a round trips in a day. company is expecting a monthly revenue of 55,56,000. Calculate fare to be charged from a passenger for round trip.
(a) 100 (b) 926 (c) 1852 (d) 50.95

14. Jobs undertaken by IT & ITES organizations are considered as
(a) Project (b) Batch work (c) Contract (d) All the above

15. Depreciation is treated as fixed cost if it is related to
(a) Activity level
(b) Related with machine hours
(c) Efflux of time
(d) None of the above

16. Which of the following costing method is not appropriate for costing of educational institutes
(a) Batch Costing (b) Activity Based Costing (c) Absorption Costing (d) Process Costing

17. Pre-product development insurance companies, include activities in
(a) Processing of Claim
(b) Selling of policy
(c) Provision of conditions
(d) Policy application processing

18. A transport company is running 5 buses between two towns, which are 30 km apart. Seating capacity of each bus is 50 passengers. Normal occupancy in onwards journey is 90% and in return journey is 80% of its seating capacity. All the buses ran on 30 days of the month. Each bus made 3 round trip per day. Passenger km per month will be
(a) 10,51,00 (b) 9,56,250 (c) 11,47,500 (d) None of the above

19. In Toll Road costing, the repetitive costs include
(a) Maintenance cost (b) Annual operating costs (c) None of the above (d) Both (a) and (b)

20. A hotel having 200 rooms of which 80% are normally occupied in summer 60% in Autumn and 25% in winter. Period of summer, autumn and winter be taken as 4 months each and normal days in a month be assumed to be 30. The total occupied room days will be
(a) 39200 Room days (b) 39600 Room days (c) 39000 Room days (d) None of the above

ANSWERS

1	B	11	A
2	A	12	B
3	B	13	C
4	B	14	A
5	C	15	C
6	A	16	D
7	A	17	C
8	A	18	C
9	C	19	A
10	D	20	B

CA Vinod Ready

21. Total passenger km run by VR logistic Ltd. was 43,80,480 for the year between Jodhpur and Pali. The bus made 3 round trips per day. Seating capacity of the bus was 52 passengers and average daily occupancy was 75% and the bus runs on an average 26 days in a month. Calculate the distance between Jodhpur and Pali.
(a) 55 km (b) 720 km (c) 65 km (d) 60 km

22. In service costing, costs are classified as
(a) Variable cost, fixed cost & marginal cost
(b) Standing charges, running charges & maintenance costs
(c) Fixed cost, normal cost & standard cost
(d) Standard cost, marginal cost & fixed cost

23. Composite cost unit for a hospital is
(a) Per patient (b) Per patient-day (c) Per day (d) Per bed

24. Cost of diesel and lubricant is an example of
(a) Operating cost (b) Fixed charges (c) Semi-variable cost (d) None of the above

25. Reddy transport service company incurred a total operating cost of Rs. 4,86,000 in June 2027 to operate six buses between two places which are 50 kms apart. Each bus is having a seating capacity of 50 passengers and all buses run on all days with two round trips in a day. If the operating cost per passenger km, is Rs. 0.30, then the capacity occupied in each bus is
(a) 90% (b) 80% (c) 75% (d) 100%

26. Cost units used in power sector is
(a) Kilo meter (K.M) (b) Kilowatt-hour (kWh) (c) Number of electric points (d) Number of hours

27. In case of goods transport, which of the following is suitable cost unit to be used for cost ascertainment
(a) Kilometre (b) Per day (c) Ton – kilometre (d) Per litre

28. Absolute Tonne-km. is an example of
(a) Composite units in power sector
(b) Composite unit of transport sector
(c) Composite unit for bus operation
(d) Composite unit for oil and natural gas

29. Which of the following is an example of standing charges in transport costing
(a) Road tax and insurance
(b) Petrol
(c) Repairs and maintenance
(d) Tyres

30. _____ are the quantitative and qualitative factors which are commonly used to assess the performance of an organization which are important to achieve its goal.
(a) Key Performance Indicators (KPIs)
(b) Key Productivity Indicators (KPIs)
(c) Key Profitability Indicators (KPIs)
(d) None of the above

31. _____ Average Return per User (ARPU) is a key indicator, shows average revenue generated from a user of its services.
(a) Automobile industry
(b) Telecom industry
(c) Textile industry
(d) Steel industry

32. Service costing is also known as _____ costing.
(a) Industry
(b) Non – operating
(c) Operating
(d) Internal

33. The time from when a delivery truck enters the warehouse to collect or deliver products to when it exits the facility is known as
(a) Turnaround Rate
(b) Lead Time
(c) On-Time and In-Full
(d) Order Cycle Time

34. The amount of time in between order placement by customer and receipt of order.
(a) On-Time and In-Full
(b) Lead Time
(c) Both (a) & (b)
(d) None of the above

35. The number of orders delivered according to the schedule and quantity specified.
(a) On-Time and In-Full
(b) Order Cycle Time
(c) Both (a) & (b)
(d) None of the above

36. The ratio of rented or used rooms to the total amount of available rooms is known as
(a) Utilized rate
(b) Revenue rate
(c) Profit rate
(d) Occupancy rate

37. The rate at which the company uses up its available cash to cover operating expenses is known as
(a) Net cool Rate
(b) Gross cool Rate
(c) Net Burn Rate
(d) Gross Burn Rate

38. The typical net profit a company generates over the entire life cycle of a single customer is known as
(a) Customer Lifetime Value
(b) Customer Acquisition Cost
(c) Both (a) & (b)
(d) None of the above

39. The amount earned each month through subscription renewals, new sales, upsells, and fluctuations on a monthly basis is known as
(a) Monthly Recurring Revenue (MRR)
(b) Churn Rate
(c) Average return per user (ARPU)
(d) Subscriber acquisition cost (SAC)

40. The percentage of customers that cancel their recurring subscriptions over a given time period is known as
(a) Monthly Recurring Revenue (MRR)
(b) Churn Rate
(c) Average return per user (ARPU)
(d) Subscriber acquisition cost (SAC)

CA Vinod Reddy

ANSWERS

21	D	31	B
22	B	32	C
23	B	33	A
24	A	34	B
25	A	35	A
26	B	36	D
27	C	37	D
28	B	38	D
29	A	39	A
30	A	40	B

CA Vinod Ready

41. How much money a company is making for each person using its service is known as
(a) Monthly Recurring Revenue (MRR)
(b) Churn Rate
(c) Average return per user (ARPU)
(d) Subscriber acquisition cost (SAC)

42. How well a company is retaining its customers based on factors such as sales price increases, organic customer growth, and more is known as
(a) Gross Revenue Retention (GRR)
(b) Net Revenue Retention (NRR)
(c) Gross Profit Retention (GPR)
(d) Net Profit Retention (NPR)

43. Sometime two measurement units are combined together to know the cost of service or operation. These are called_____.
(a) combined cost units
(b) composite cost units
(c) common cost units
(d) All of the above

44. Composite unit may be computed in
(a) Absolute (Weighted Average) basis
(b) Commercial (Simple Average) basis
(c) Absolute (Simple Average) basis
(d) Both (a) & (b)

45. _____ is a summation of the products of qualitative and quantitative factors.
(a) Absolute (Weighted Average) basis
(b) Commercial (Simple Average) basis
(c) Absolute (Simple Average) basis
(d) Commercial (Weighted Average) basis

46._____ is the product of average qualitative and total quantitative factors.
(a) Absolute (Weighted Average) basis
(b) Commercial (Simple Average) basis
(c) Absolute (Simple Average) basis
(d) Commercial (Weighted Average) basis

47. Absolute (Weighted Average) basis is calculated as
(a) $\sum (\text{Weight Carried} \times \text{Distance})_1 + (\text{Weight Carried} \times \text{Distance})_2 + \ldots + (\text{Weight Carried} \times \text{Distance})_n$
(b) $\sum (\text{Weight Carried} \times \text{Distance})_1 - (\text{Weight Carried} \times \text{Distance})_2 - \ldots - (\text{Weight Carried} \times \text{Distance})_n$
(c) $\sum (\text{Weight Carried} / \text{Distance})_1 - (\text{Weight Carried} / \text{Distance})_2 - \ldots - (\text{Weight Carried} / \text{Distance})_n$
(d) $\sum (\text{Weight Carried} / \text{Distance})_1 + (\text{Weight Carried} / \text{Distance})_2 + \ldots + (\text{Weight Carried} / \text{Distance})_n$

48.Commercial (Simple Average) basis is calculated as
(a) ∑ (Distance$_1$ - Distance$_2$ - ……..- Distance $_n$) × [(W_1 + W_2 +.... + W $_n$)/n]
(b) ∑ (Distance$_1$ + Distance$_2$ + ……..+ Distance $_n$) × [(W_1 + W_2 +.... + W $_n$)/n]
(c) ∑ (Distance$_1$ + Distance$_2$ + ……..+ Distance $_n$) × [(W_1 - W_2 - ... - W $_n$)/n]
(d) ∑ (Distance$_1$ + Distance$_2$ + ……..+ Distance $_n$) / [(W_1 + W_2 +.... + W $_n$)/n]

49. A lorry starts with a load of 20 MT of goods from Station 'A'. It unloads 8 MT in Station 'B' and balance goods in Station 'C'. On return trip, it reaches Station 'A' with a load of 16 MT, loaded at Station 'C'. The distance between A to B, B to C and C to A are 80 Kms, 120 Kms and 160 Kms, respectively. COMPUTE "Absolute MT-Kilometre".
(MT = Metric Ton or Ton)
(a) 5,400 MT - Kilometre
(b) 5,500 MT - Kilometre
(c) 5,600 MT - Kilometre
(d) 5,700 MT - Kilometre

50. Calculate the "Commercial MT – Kilometre" from the above data.
(a) 5,760 MT – Kilometre
(b) 5,670 MT – Kilometre
(c) 5,160 MT – Kilometre
(d) 5,170 MT – Kilometre

51. Cost sheet on the basis of variability is prepared classifying all the costs into different heads like
(a) Fixed costs or Standing charges
(b) Variable costs or Operating expenses
(c) Semi-variable costs or Maintenance expenses
(d) All of the above

52. The cost unit for Goods transport organization is
(a) Tonne– Kilometre
(b) Passenger– Kilometre
(c) Both (a) & (b)
(d) None of the above

53. Cost unit for Passenger transport organization is
(a) Tonne– Kilometre
(b) Passenger– Kilometre
(c) Both (a) & (b)
(d) None of the above

54. Information Technology (IT) and Information Technology Enabled Services (ITES) organizations are highly _____ intensive.
(a) Labour (b) Capital (c) Both (a) & (b) (d) None of the above

55. the skill level requirement for carrying out each of the activities is identified and the duration of each and every activity would be ascertained. This process is known as _____.
(a) Effort estimation (b) Profit Estimation (c) Skill Estimation (d) Cost Estimation

56. Effort costs include
(a) Costs of providing, heating and lighting office space
(b) Costs of support staff such as accountants, administrators, system managers, cleaners and technicians
(c) Costs of networking and communication
(d) All of the above

57. The _____ cost consists of cost incurred during the construction period
(a) Labour (b) Capital (c) Both (a) & (b) (d) None of the above

58. Construction expenses includes
(a) Toll collection expenses
(b) Preliminary and pre-operative expenses
(c) Interest expenses incurred for servicing term loans
(d) None of the above

59. Expenditure of the Educational Institutions includes
(a) Research and Development Cost
(b) Cost of Publication of research and other materials
(c) The salary of the teaching and non-teaching staff
(d) All of the above

60. Actuarial fees, market and product development costs, administration cost, asset management cost are
(a) Direct Costs
(b) Indirect Costs
(c) Operational Costs
(d) None of the above

CA Vinod Ready

ANSWERS

41	C	51	D
42	A	52	A
43	B	53	B
44	C	54	A
45	A	55	A
46	B	56	D
47	A	57	B
48	B	58	A
49	C	59	D
50	A	60	B

CA Vinod Ready

1. Under standard cost system the cost of the product determined at the beginning of production is its
(a) Direct cost (b) Pre-determined cost (c) Historical cost (d) Actual cost

2. The deviations between actual and standard cost is known as
(a) Multiple analysis (b) Variable cost analysis (c) Variance analysis (d) Linear trend analysis

3. The standard which is attainable under favourable conditions is
(a) Theoretical standard (b) Expected standard (c) Normal standard (d) Basic standard

4. The standard most suitable from cost control point of view is
(a) Normal standard (b) Theoretical standard (c) Expected standard (d) Basic standard

5. Overhead cost variances is
(a) The difference between overheads recovered on actual output - actual overhead incurred
(b) The difference between budgeted overhead cost and actual overhead cost
(c) Obtained by multiplying standard overhead absorption rate with the difference between standard hours for actual output and actual hours worked
(d) None of the above

6. Which of the following variance arises when more than one material is used in the manufacture of a product
(a) Material price variance
(b) Material usage variance
(c) Material yield variance
(d) Material mix variance

7. If standard hours for 100 units of output are 400 @ ₹ 2 per hour and actual hours take are 380 @ ₹ 2.25 per, then the labour rate variance is
(a) ₹ 95 (adverse) (b) ₹ 100 (adverse) (c) ₹ 25 (favourable) (d) ₹ 120 (adverse)

8. Controllable variances are best disposed-off by transferring to
(a) Cost of goods sold
(b) Cost of goods sold and inventories
(c) Inventories of work–in–progress and finished goods
(d) Costing profit and loss account

9. Idle time variance is obtained by multiplying
(a) The difference between standard and actual hours by the actual rate of labour per hour
(b) The difference between actual labour hours paid and actual labour hours worked by the standard rate
(c) The difference between standard and actual hours by the standard rate of labour per hour
(d) None of the above

10. Basic standards are
(a) Those standards, which require high degree of efficiency and performance
(b) Average standards and are useful in long term planning
(c) Standards, which can be attained or achieved
(d) Assuming to remain unchanged for a long time

11. Which of the following is not a reason for an idle time variance?
(a) Wage rate increase
(b) Machine breakdown
(c) Illness or injury to worker
(d) Non- availability of material

12. The following figures are extracted from the books of a company:
Budgeted overheads - 20,000 (Fixed - 12,000, Variable - 8,000)
Budgeted Hours - 2500
Actual Overheads - 21,800 (Fixed - 11,800, Variable - 10,000)
Actual Hours - 3000
Calculate Variable Overheads fixed overheads cost variance will be
(a) 400 (A) and 200 (F)
(b) 400 (F) and 200 (A)
(c) 2000 (A) and 200 (F)
(d) 2000 (F) and 200 (A)

13. The budgeted overheads is 9,600, absorbed overheads is 10,650, fixed overheads at actual hours is 10,000 and actual overheads is 11,650. The overheads volume variance is
(a) 600 (A) (b) 2050 (A) (c) 650 (F) (d) 1050 (F)

14. The standard material required to manufacture one unit of Product-A is 4.5 Kgs. and the standard price per Kg. of material is 3.2. The cost accountant's records, however, reveal that 16,000 Kgs. of material costing 54,000 were used for producing 3,500 units of Product-A. Material price variance will be -
(a) 2,800 (A) (b) 2,800 (F) (c) 3,600 (A) (d) 3,600 (F)

15. In a factory where standard costing system is followed, the production department consumed 1500 kgs of a material @10 per kg for product X resulting in material price variance of 3000 (F) and material usage variance of 11500 (A). What is the standard material cost of actual production of product X?
(a) 10,500 (b) 19,500 (c) 14,500 (d) 16,500

16. The information relating to the direct material cost of a company is as follows:
Standard price per unit - 16.50
Actual quantity purchased in units - 2000
Standard quantity allowed for actual production in units - 1860
Material price variance on purchase (Favourable) - 11000
What is the actual purchase price per unit?
(a) 16.00 (b)17.00 (c) 16.50 (d) 17.50

17. Overhead cost variance is 12,000 (A), overhead expenditure variance is 4,000 (A) and overhead efficiency variance is 4,000 (F). In this case, overhead capacity variance is
(a) Rs. 12,000 (A)
(b) Rs. 8,000 (A)
(c) Rs. 8,000 (F)
(d) Rs. 12,000 (A)

18. Records of XYZ Ltd. reveal the following data:
Fixed overhead capacity variance = 2,000 (F)
Fixed overhead efficiency variance = 1,000 (F)
Fixed overhead expenditure variance = 5,000 (A)
Fixed overhead cost variance will be
(a) Rs. 8,000 (A) (b) Rs. 2,000 (A) (c) Rs. 2,000 (F) (d) Rs. 8,000 (F)

19. VR Ltd. uses standard cost system. The following information pertains to direct labour for Product X for the month of March, 2027:
Standard rate per hour – 5
Actual rate per hour - 5.50
Standard hours allowed for actual production - 2000 hours
Labour Efficiency variance - 2,500 (Adverse)
What were the actual hours worked?
(a) 1,800 (b) 2,500 (c) 2,200 (d) 2,190

20. The following are relating to Job No. 1000:
Standard hours planned 450
Actual hours worked 498
Standard wage rate Rs. 3.58
Actual wage rate Rs. 4.28
Idle hours 7
The total labour efficiency variance for Job No. 1000:
(a) Rs. 171.84 (A) (b) Rs. 146.78 (A) (c) Rs. 175.48 (A) (d) Rs. 205.44 (A)

CA Vinod Ready

ANSWERS

1	B	11	A
2	C	12	A
3	A	13	D
4	C	14	A
5	A	15	D
6	D	16	A
7	A	17	D
8	D	18	B
9	B	19	B
10	D	20	B

CA Vinod Ready

21. The information relating to the direct material cost of a company is as under: Actual quantity purchased in units 1,800 @ 19 per unit. Standard quantity allowed for actual production in units 1,950 Material Price Variance on purchase (Adverse) 2700 What is the Standard price per unit?
(a) 7.62 (b) 10.50 (c) 7.50 (d) 10.38

22. The capacity variance is 36,000 (F), calendar variance is 20,850 (A), expenditure variance is 5000 (A). The volume variance will be
(a) 15,150 (F) (b) 10,150 (F) (c) 10,150 (A) (d) 16,150 (F)

23. A company operates a standard absorption costing system. The budgeted fixed production overheads for the company for last year were 5,00,000 and budgeted output was 2,50,000 units. At the end of the company's financial year, the total of the fixed production overheads debited to the Fixed Production Overhead Control Account was 4,70,000 and the actual output achieved was 2,00,000 units. The under/over absorption of overhead was
(a) 70,000 under absorbed (b) 30,000 under absorbed
(c) 70,000 over absorbed (d) 30,000 over absorbed

24. The budgeted fixed overheads for a budgeted production of 20,000 units is 60,000. For a certain period the actual production was 23,000 units and actual expenditure 62,000. The volume variance is
(a) 9,000(F) (b) 9,000(A) (c) 2,000(A) (d) 2,000(F)

25. The following information is given:
Standard: 360 kg material for 200 units of finished output @2 per kg.
Actual: Output 6,900 units, material used 13830 kg., cost of material 38,724.
Material usage variance will be.
(a) Rs. 13884(A) (b) Rs. 3948 (A) (c) Rs. 7698 (F) (d) Rs. 2820 (A)

26. A chemical is manufactured by combining two standard items Input-X (Standard price 20 per kg) and Input-Y (Standard price 25 per kg) in the ratio 60%:40%. Ten percent of input is lost during processing. If during a month 1,800 Kgs. of chemical is produced incurring a total cost of 45,960, the total material cost variance will be
(a) 1,960(A) (b) 6,360(A) (c) 2,400(A) (d) 4,000(A)

27. For producing one unit of product X, standard labour hours are 25. Wages rate is 3.5 per hour. In April, 2027, output was 2,000 units. 53,000 labour hours actually paid, costing 2,17,300. These 53,000 hours include 600 hours arise due to machine breakdown. Labour rate variance was
(a) Rs. 31,800 (A) (b) Rs. 31,440 (A) (c) Rs. 42,300 (A) (d) Rs, 31,440 (F)

28. The standard hourly rate is 7.50 per hour and actual rate 6.80 per hour. If the labour rate variance is 2,800(F), the actual labour hours worked is
(a) 2,800 hours (b) 4,000 hours (c) 3,500 hours (d) 6,150 hours

29. _____ is the planned unit cost of the product, component or service produced in a period.
(a) Marginal cost (b) Standard Cost (c) Product Cost (d) Unit Cost

30. Types of standards are
(a) Ideal Standards
(b) Normal Standards
(c) Bogey Standards
(d) All of the above

31. _____ represent the level of performance attainable when prices for material and labour are most favourable.
(a) Ideal Standards
(b) Normal Standards
(c) Bogey Standards
(d) Current Standards

32. _____ are standards that may be achieved under normal operating conditions.
(a) Ideal Standards
(b) Normal Standards
(c) Bogey Standards
(d) Current Standards

33. _____ standards are used only when they are likely to remain constant or unaltered over a long period.
(a) Ideal Standards
(b) Normal Standards
(c) Bogey Standards
(d) Current Standards

34. _____ standards reflect the management's anticipation of what actual costs will be for the current period.
(a) Ideal Standards
(b) Normal Standards
(c) Bogey Standards
(d) Current Standards

35. Standard costs are divided into
(a) Direct Material Cost
(b) Direct Employee (Labour) Cost
(c) Overheads
(d) All of the above

36. _____ standards refer to expression of standards in units or hours.
(a) Physical
(b) Internal
(c) External
(d) None of the above

37. The price or rate standards can be set on
(a) Actual average or mean price expected to prevail during the coming period, say one year
(b) Normal prices expected to prevail during a cycle of seasons which may be of a number of years
(c) Either (a) or (b)
(d) None of the above

38. _____ are those which can be controlled under the normal operating conditions.
(a) Uncontrollable variances
(b) Controllable variances
(c) Avoidable variances
(d) Unavoidable variances

39._____ are those which occurs due to conditions which are beyond the control.
(a) Uncontrollable variances
(b) Controllable variances
(c) Avoidable variances
(d) Unavoidable variances

40. _____ are those which are profitable for the company and adverse variances are those which causes loss to the company.
(a) Favourable variances
(b) Unfavourable variances
(c) Acceptable variances
(d) Unacceptable variances

CA Vinod Reddy

ANSWERS

21	C	31	A
22	A	32	B
23	A	33	C
24	A	34	D
25	D	35	D
26	A	36	A
27	A	37	C
28	B	38	B
29	B	39	A
30	D	40	A

CA Vinod Ready

41. _____ means actual cost is exceeding standard cost.
(a) Favourable variances
(b) Unfavourable variances
(c) Acceptable variances
(d) Adverse variances

42. Material Cost Variance =
(a) [Standard Cost – Actual Cost]
(b) [(Std. Quantity × Std. Price) – (Actual Quantity × Actual Price)]
(c) Both (a) & (b)
(d) None of the above

43. Material Price Variance =
(a) [Standard Cost of Actual Quantity – Actual Cost]
(b) Actual Quantity (AQ) × {Std. Price (SP) – Actual Price(A)}
(c) [(SP × AQ) – (AP × AQ)]
(d) All of the above

44. Material Usage Variance =
(a) [Standard Cost of Standard Quantity for Actual Production – Standard Cost of Actual Quantity]
(b) Std. Price (SP)× {Std. Quantity (SQ) - Actual Quantity (AQ)}
(c) [(SQ × SP) + (AQ × SP)]
(d) Both (a) & (b)

45. Material Mix Variance =
(a) [Standard Cost of Actual Quantity in Standard Proportion + Standard Cost of Actual Quantity]
(b) Std. Price (SP) × {Revised Std. Quantity (RSQ) + Actual Quantity (AQ)}
(c) Both (a) & (b)
(d) Neither (a) nor (b)

46. Material Yield Variance =
(a) [Standard Cost of Standard Quantity for Actual Production – Standard Cost of Actual Quantity in standard proportion]
(b) Std. Price (SP) × {Std. Quantity (SQ) – Revised Standard Quantity (RSQ)}
(c) [(SQ × SP) – (RSQ × SP)]
(d) All of the above

47. Standard Quantity (SQ) means
(a) Quantity of inputs to be used to produce actual output
(b) Quantity of inputs actually used to produce actual output
(c) If Actual total quantity of inputs were used in standard proportion
(d) None of the above

48. Actual Quantity (AQ) means
(a) Quantity of inputs to be used to produce actual output
(b) Quantity of inputs actually used to produce actual output
(c) If Actual total quantity of inputs were used in standard proportion
(d) None of the above

49. Revised Standard Quantity (RSQ) means
(a) Quantity of inputs to be used to produce actual output
(b) Quantity of inputs actually used to produce actual output
(c) If Actual total quantity of inputs were used in standard proportion
(d) None of the above

50. The standard and actual figures of product 'ABC' are as under:

	Standard	**Actual**
Material quantity	50 units	45 units
Material price per unit	₹ 1.00	₹ 0.80

CALCULATE material cost variances.
(a) ₹14 (F) (b) ₹15 (F) (c) ₹14 (A) (d) ₹15 (A)

51. Prashant Manufacturing Concern furnishes the following information:

Standard:	Material for 70 kg finished products	-	100 kg
	Price of material	-	₹ 1 per kg
Actual:	Output	-	2,10,000 kg
	Material used	-	2,80,000 kg
	Cost of Materials	-	₹ 2,52,000

Calculate material usage variance.
(a) ₹ 20000 (A) (b) ₹ 20000 (F) (c) ₹ 20500 (A) (d) ₹ 20500 (F)

52. Calculate material price variance for the above data.
(a) ₹ 28000 (A) (b) ₹ 28000 (F) (c) ₹ 28500 (A) (d) ₹ 28500 (F)

53. Calculate material cost variance for the above data.
(a) ₹ 48000 (A) (b) ₹ 48000 (F) (c) ₹ 49000 (A) (d) ₹ 49000 (F)

54. _____ variance is the difference between actual labour cost and standard cost.
(a) Labour Cost
(b) Material Cost
(c) Employee Cost
(d) Both (a) & (c)

55. Mathematically Labour Cost variance can be written as
(a) [Standard Cost – Actual Cost]
(b) [(SH × SR) - (SH × AR)]
(c) Both (a) & (b)
(d) None of the above

56. Labour cost variance can be divided into
(i) Labour Rate Variance
(ii) Labour Efficiency Variance
(iii) Labour Idle time Variance
(a) ONLY (i) (b) (i) & (ii) (c) (i) & (iii) (d) (i), (ii), (iii)

57. Labour Rate Variance =
(a) [Standard Cost of standard Time – Actual Cost]
(b) Actual Hours (AH) × {Std. Rate (SR) – Actual Rate (AR)}
(c) Both (a) & (b)
(d) None of the above

58. Labour Efficiency Variance =
(a) [Standard Cost of Standard Time for Actual Production – Standard Cost of Actual Time]
(b) Std. Rate (SR) × {Std. Hours (SH) – Actual Hours (AH)}
(c) Both (a) & (b)
(d) None of the above

59. Labour Mix Variance or Gang Variance =
(a) [Standard Cost of Actual Time Worked in Standard Proportion – Standard Cost of Actual Time Worked]
(b) Actual. Rate (AR) × {Revised Std. Hours (RSH) – Actual Hours Worked (AH)}
(c) [(RSH × SR) – (AH × AR)]
(d) All of the above

60. Labour Yield Variance or Sub-Efficiency Variance =
(a) [Standard Cost of Standard Time for Actual Production – Standard Cost of Actual Time Worked in Standard Proportion]
(b) Std. Rate (SR) × {Std. Hours (SH) – Revised Std. Hours (RSH)}
(c) [(SH × SR) – (RSH × SR)]
(d) All of the above

CA Vinod Reddy

ANSWERS

41	D	51	B
42	C	52	B
43	D	53	B
44	D	54	D
45	D	55	A
46	D	56	D
47	A	57	B
48	B	58	C
49	C	59	A
50	A	60	D

CA Vinod Ready

61. Labour Idle Time Variance =
(a) [Standard Rate per Hour × Actual Idle Hours]
(b) Std. Rate (SR) {Actual Hours Paid – Actual Hours Worked}
(c) [(AH × SR) – (AH × SR)]
(d) All of the above

62. The standard and actual figures of a firm are as under
Standard time for the job : 1,000 hours
Standard rate per hour : ₹ 50
Actual time taken : 900 hours
Actual wages paid : ₹ 36,000
Calculate Labour Rate variance.
(a) ₹9,000 (F) (b) ₹9,000 (A) (c) ₹9,500 (F) (d) ₹9,500 (A)

63. Calculate Labour Efficiency variance for the above data.
(a) ₹5,000 (F) (b) ₹5,000 (A) (c) ₹5,500 (F) (d) ₹5,500 (A)

64. Calculate Labour cost variance for the above data.
(a) ₹14,500 (F) (b) ₹14,500 (A) (c) ₹14,000 (F) (d) ₹14,000 (A)

65. The standard output of product 'ABC' is 25 units per hour in manufacturing department of a company employing 100 workers. Calculate standard man hours.
(a) 5 hrs (b) 4 hrs (c) 4.5 hrs (d) 5.5 hrs

66. Variable overhead cost variance includes
(a) Variable Overhead Expenditure Variance
(b) Variable Overhead Effective Variance
(c) Variable Overhead Yield Variance
(d) Both (a) & (b)

67. Variable Overhead Expenditure (Spending) Variance =
(a) (Standard Variable Overheads for Actual Hours) - (Actual Variable Overheads)
(b) [(SR × AH) – (AR × AH)]
(c) [(SR – AR) × AH]
(d) All of the above

68. Variable Overhead Efficiency Variance =
(a) (Standard Variable Overheads for Production) - (Standard Variable Overheads for Actual Hours)
(b) [(SR × AH) – (AR × AH)]
(c) [(SR – AR) × AH]
(d) All of the above

69. If actual labour hours worked were worked by standard mix (combination) of labour then it is termed as
(a) Standard Hours (SH)
(b) Revised Standard Hours (RSH)
(c) Actual Hours (AH)
(d) Actual Yield (AY)

70. Actual hours if labour worked in standard ratio is termed as
(a) Standard Hours (SH)
(b) Actual Hours (AH)
(c) Standard Yield (SY)
(d) Actual Yield (AY)

71. From the following information

Budgeted Production	6,000 units
Budgeted Variable Overhead	₹ 1,20,000
Standard time for one Unit of output	2 hours
Actual Production	5,900 units
Actual Overhead Incurred	₹ 1,22,000
Actual Hours Worked	11,600 hours

calculate Variable Overhead Cost Variance.
(a) ₹4,000 (F) (b) ₹4,000 (A) (c) ₹5,000 (A) (d) (c) ₹5,000 (F)

72. Calculate Variable Overhead Expenditure Variance for the above data
(a) ₹6,000 (F) (b) ₹6,000 (A) (c) ₹7,000 (A) (d) (c) ₹7,000 (F)

73. Calculate Variable Overhead Efficiency Variance for the above data.
(a) ₹10,000 (F) (b) ₹10,000 (A) (c) ₹2,000 (A) (d) (c) ₹2,000 (F)

74. Fixed overhead cost variance is the _____ actual fixed overhead and absorbed fixed overhead.
(a) difference between
(b) Sum between
(c) Product of
(d) None of the above

75. Fixed overhead variance includes
(a) Fixed Overhead Expenditure Variance
(b) Fixed Overhead Volume Variance
(c) Both (a) & (b)
(d) None of the above

76. Fixed overhead volume variance includes
(a) Efficiency Variance
(b) Capacity Variance
(c) Calendar Variance
(d) All of the above

77. Fixed Overhead Cost Variance =
(a) (Absorbed Fixed Overheads) - (Actual Fixed Overheads)
(b) (SH × AR) - (AH × AR)
(c) Both (a) & (b)
(d) None of the above

78. Fixed Overhead Expenditure Variance =
(a) (Budgeted Fixed Overheads) Less (Actual Fixed Overheads)
(b) (BH × SR) – (AH × AR)
(c) Both (a) & (b)
(d) None of the above

79. Fixed Overhead Volume Variance =
(a) (Absorbed Fixed Overheads) Less (Budgeted Fixed Overheads)
(b) (AH × SR) – (BH × SR)
(c) Both (a) & (b)
(d) None of the above

80. _____is the difference between fixed overhead absorbed and standard fixed overhead.
(a) Fixed Overhead Efficiency Variance
(b) Fixed Overhead Capacity Variance
(c) Fixed Overhead Calendar Variance
(d) Fixed Overhead Volume Variance

CA Vinod Reddy

ANSWERS

61	D	71	B
62	A	72	B
63	A	73	D
64	C	74	A
65	B	75	C
66	A	76	D
67	D	77	A
68	A	78	C
69	B	79	A
70	C	80	A

CA Vinod Ready

81. _____ is the difference between standard fixed overhead and budgeted overhead.
(a) Fixed Overhead Efficiency Variance
(b) Fixed Overhead Capacity Variance
(c) Fixed Overhead Calendar Variance
(d) Fixed Overhead Volume Variance

82. _____ variance arises due to difference in number of actual working days and the standard working days.
(a) Fixed Overhead Efficiency Variance
(b) Fixed Overhead Capacity Variance
(c) Fixed Overhead Calendar Variance
(d) Fixed Overhead Volume Variance

83. Standard overhead rate (per hour) =
(a) Budgeted Overhead/Budgeted hours
(b) Budgeted Overhead/Budgeted output in units
(c) Both (a) & (b)
(d) None of the above

84. Standard overhead rate (per unit) =
(a) Budgeted Overhead/Budgeted hours
(b) Budgeted Overhead/Budgeted output in units
(c) Both (a) & (b)
(d) None of the above

85. Advantages of Standard Costing are
(a) It serves as a basis for measuring operating performance and cost control
(b) Introduction of standard costing facilitates evaluation of jobs and introduction of incentives
(c) facilitates the estimation of the cost of new products
(d) All of the above

86. Answer questions from 86 to 89 based on below case study.
A manufacturing department of a company has employed 120 workers. The standard output of product ''ARK" is 20 units per hour and the standard wage rate is ₹ 25 per labour hour.
In a 48 hours week, the department produced 1,000 units of 'ARK' despite 5% of the time paid being lost due to an abnormal reason. The hourly wages actually paid were ₹ 25.70 per hour.
Calculate Labour Cost Variance
(a) ₹ 1,968 F (b) ₹ 13,200 F (c) ₹ 4,032 A (d) ₹ 7,200 A

87. Calculate Labour Rate Variance
(a) ₹ 1,968 F (b) ₹ 13,200 F (c) ₹ 4,032 A (d) ₹ 7,200 A

88. Calculate Labour Idle Time Variance
(a) ₹ 1,968 F (b) ₹ 13,200 F (c) ₹ 4,032 A (d) ₹ 7,200 A

89. Calculate Labour Efficiency Variance
(a) ₹ 13,200 F (b) ₹ 14,200 F (c) ₹ 13,900 F (d) ₹ 15,200 A

90. Answer questions from 90 to 97 based on below case scenario
Following are the standard cost for a product-X:

	(₹)
Direct materials 10 kg @ ₹ 90 per kg	900
Direct labour 8 hours @ ₹100 per hour	800
Variable Overhead 8 hours @ ₹15 per hour	120
Fixed Overhead	400
	2,220

Budgeted output for the year was 2,000 units. Actual output is 1,800 units. Actual cost for year is as follows:

	(₹)
Direct materials 17800 kg @ ₹ 92 per kg	16,37,600
Direct labour 14000 hours @ ₹104 per hour	14,56,000
Variable Overhead incurred	2,17,500
Fixed Overhead incurred	7,68,000

CALCULATE Material Usage Variance.

(a) ₹ 18,000 (Favourable) (b) ₹ 35,600 (Adverse) (c) ₹17,600 (Adverse) (d) ₹ 40,000 (Favourable)

91. Calculate Material Price Variance

(a) ₹ 18,000 (Favourable) (b) ₹ 35,600 (Adverse) (c) ₹17,600 (Adverse) (d) ₹ 40,000 (Favourable)

92. Calculate Labour Efficiency Variance

(a) ₹ 18,000 (Favourable) (b) ₹ 35,600 (Adverse) (c) ₹17,600 (Adverse) (d) ₹ 40,000 (Favourable)

93. Calculate Material Cost Variance

(a) ₹ 18,000 (Favourable) (b) ₹ 35,600 (Adverse) (c) ₹17,600 (Adverse) (d) ₹ 40,000 (Favourable)

94. Calculate Labour Rate Variance

(a) ₹ 56,000 (Adverse) (b) ₹16,000 (Adverse) (c) ₹ 18,000 (Adverse) (d) ₹ 1,500 (Adverse)

95. Calculate Labour Cost Variance

(a) ₹ 56,000 (Adverse) (b) ₹16,000 (Adverse) (c) ₹ 18,000 (Adverse) (d) ₹ 1,500 (Adverse)

96. Calculate Fixed Overhead Cost Variance.

(a) ₹ 46,000 (Adverse) (b) ₹48,000 (Adverse) (c) ₹ 2,000 (Adverse) (d) ₹ 1,500 (Adverse)

97. Calculate Variable Overhead Cost Variance.

(a) ₹ 46,000 (Adverse) (b) ₹48,000 (Adverse) (c) ₹ 2,000 (Adverse) (d) ₹ 1,500 (Adverse)

98. AK Ltd. has furnished the following standard cost data per unit of production:

Material 10 kg @ ₹ 100 per kg.

Labour 6 hours @ ₹ 55 per hour

Variable overhead 6 hours @ ₹ 100 per hour

Fixed overhead ₹45,00,000 per month (Based on a normal volume of 30,000 labour hrs)

The actual cost data for the month of September 2027 are as follows:

Material used 50,000 kg at a cost of ₹ 52,50,000

Labour paid ₹ 15,50,000 for 31,000 hours

Variable overheads ₹ 29,30,000

Fixed overheads ₹ 47,00,000

Actual production 4,800 units.

Calculate Material Cost Variance.

(a) ₹ 4,50,000 (A) (b) ₹ 3,80,000 (A) (c) ₹ 50,000 (A) (d) ₹ 34,000 (F)

99. Calculate Labour Cost Variance using the data of above question.

(a) ₹ 4,50,000 (A) (b) ₹ 3,80,000 (A) (c) ₹ 50,000 (A) (d) ₹ 34,000 (F)

100. Calculate Variable Overhead Cost Variance using the data of above question.

(a) ₹ 30,000 (A) (b) ₹ 80,000 (A) (c) ₹ 50,000 (A) (d) ₹ 31,000 (F)

CA Vinod Reddy

ANSWERS

81	B	91	B
82	C	92	D
83	A	93	C
84	B	94	A
85	D	95	B
86	A	96	B
87	C	97	D
88	D	98	A
89	A	99	D
90	A	100	C

CA Vinod Ready

14. MARGINAL COSTING

1. Under marginal costing the cost of product includes
(a) Prime costs only
(b) Prime costs and variable overheads
(c) Prime costs and fixed overheads
(d) Prime costs and factory overheads

2. Reporting under marginal costing is accomplished by
(a) Treating all costs as period costs
(b) Eliminating the work-in-progress inventory account
(c) Matching variable costs against revenue and treating fixed costs as period costs
(d) Including only variable costs in income statement

3. Period costs are
(a) Variable costs (b) Fixed costs (c) Prime costs (d) Overheads costs

4. When sales and production (in units) are same then profit under
(a) Marginal costing is higher than that of absorption costing
(b) Marginal costing is lower than that of absorption costing
(c) Marginal costing is equal to that of absorption costing
(d) None of the above

5. When sales exceed production (in units) then profit under
(a) Marginal costing is higher than that of absorption costing
(b) Marginal costing is lower than that of absorption costing
(c) Marginal costing is equal than that of absorption costing
(d) None of above

6. The main difference between marginal costing and absorption costing is regarding the treatment of
(a) Prime cost
(b) Fixed overheads
(c) Direct materials
(d) Variable overheads

7. Under profit volume ratio, the term profit
(a) Means the sales proceeds in excess of total costs
(b) Means the same thing as is generally understood
(c) Is a misnomer, it in fact refers to contribution i.e. (sales revenue-variable costs)
(d) None of the above

8. Factors which can change the break-even point
(a) Change in fixed costs
(b) Change in variable costs
(c) Change in the selling price
(d) All of the above

9. If P/V ratio is 40% of sales then what about the remaining 60% of sales
(a) Profit (b) Fixed cost (c) Variable cost (d) Margin of safety

10. The P/V ratio of a product is 0.6 and profit is ₹ 9,000. The margin of safety is
(a) ₹ 5,400 (b) ₹ 15,000 (c) ₹ 22,500 (d) ₹ 3,600

11. A manufacturer produces 2,00,000 units of a product at a cost of â4.5 per unit. Later on, he produces 3,50,000 units at a cost of 4.20 per unit, when its fixed overheads have decreased by 30%. The marginal cost per unit and originally fixed overheads will be
(a) 2 and 80,000 respectively
(b) 3 and 90,000 respectively
(c) 4 and 1,00,000 respectively
(d) 5 and 1,20,000 respectively

12. When the sales volume is 4,000 units, the average cost is 4 per unit. When the volume is 6,000 units, the average cost is 3.50 per unit. The break-even point is 4800 units. What is the P/V ratio of the firm?
(a) 25% (b) 33.33% (c) 30% (d) 32.5%

13. Make or buy decisions are made by comparing cost with the outside purchase price.
(a) Fixed (b) Sunk (c) Variable (d) Opportunity

14. Which of the following assumptions are made while calculating marginal cost?
(a) Total fixed cost is constant at all levels of output
(b) All elements of cost can be divided into fixed and variable components
(c) Total variable cost varies according to the volume of output
(d) All of the above

15. Statement (S): The business earns a surplus of sale revenue over variable costs, which is called a contribution.
Reason (R): Once fixed costs are fully recovered such excess contribution is termed as profit.
Select the correct answer from the options given below
(a) Both A and R are true, but R is not the correct explanation of S
(b) Both A and R are true and R is the correct explanation of S
(c) S is false, but R is true
(d) S is true, but R is false

16. The fixed expenses are 64,000 and the break-even point is 1,60,000. The new break-even point, if the selling price is reduced by 10% is
(a) 1,60,000 (b) 182,000 (c) 192,000 (d) 2,00,000

17. For a given product, the sales of a company @ 200 per unit is 40,00,000. Variable cost is 24,00,000 and fixed cost is 9,00,000. The capacity of the factory is 30,000 units. Capacity utilization at break- even point level is
(a) 37.5% (b) 66.67% (c) 62.5% (d) 100%

18. The selling price of a product-A is 30 per unit, variable cost 20 per unit and 2 Hrs of Skilled Labour are needed to produce a unit of product-A. The contribution per Labour Hour will be
(a) 20 (b) 5 (c) 15 (d) 10

19. A company that has a margin of safety of 8,00,000 makes a profit of 3,20,000. If its fixed cost is 5,00,000, then Actual sales is
(a) 20.5 lakh (b) 20 lakh (c) 16.2 lakh (d) 15 lakh

20. A toy manufacturer finds that it costs 8.5 per unit to make component that is used to manufacture a toy. A supplier is ready to provide the same component at 7.25 each. Continuous supply is also fully assured. The break-down cost per unit as follows:
Materials - 3.60,
Labour - 2.40
other variable expenses - 1.00,
Depreciation and other fixed cost - 1.50.
What would be your decision?
(a) Make (b) Buy (c) Sell (d) None of the above

CA Vinod Ready

ANSWERS

1	B	11	C
2	C	12	B
3	B	13	C
4	C	14	D
5	A	15	A
6	B	16	C
7	C	17	A
8	D	18	B
9	C	19	A
10	B	20	A

CA Vinod Ready

21. Variable cost
(a) Nor increase or decrease
(b) Remains fixed per unit
(c) Varies per unit
(d) Remains fixed in total

22. If the standard output for 8 hours is 280 units and the actual output in 10 hours is 420 units, the efficiency level will be
(a) 150% (b) 120% (c) 83.33% (d)66.66%

23. A Ltd manufactures product-X which sells at 20 per unit. Total fixed costs is 7,92,000 and marginal cost is 14 per unit. Calculate the no of units to be sold to earn a profit of 10% on sales.
(a) 1,98,000 Units (b) 1,89000 Units (c) 1,32,000 Units (d) 1,23,000 Units

24. VR Ltd. had a marginal costing profit of 1,28,600 in April 2028. The opening stock was 1,600 units and the closing stock was 1,150 units. The company is considering changing to an absorption costing system. The fixed overhead absorption rate is 4 per unit. Profit under absorption costing will be
(a) 1,26,800 (b) 1,30,400 (c) 1,15,700 (d) 1,28,070

25. PQR Limited has current PBIT of 121.60 lakhs on total assets of 120 lakhs. The company has decided to increase assets by 130 lakhs, which is expected to increase the operating profit before depreciation by a 18.60 lakhs. There will be a net increase in depreciation by 11.70 lakhs. This will result in ROI
(a) to decrease by 1% (b) to increase by 1% (c) to decrease by 1.25% (d) to remain the same

26. Selling price per unit 40, Trade discount 10% of selling price, cash discount 5% on sales, Material cost is 6, Labour cost is 8, Fixed overheads are 51,600 and variable overheads 60% of labour cost. what would be the net profit if sales are 20% above the BEP?
(a) 10,318 (b) 10,526 (c) 10,320 (d) 10,800

27. A company sells its product at 15 per unit. In a period, it produces and sells 8,000 units and incurs a loss of 5 per unit. If the sales volume were to be raised to 20,000 units, it could earn a profit of 4 per unit. The Break-even point (in units) will be
(a) 12,000 Units (b) 18,000 Units (c) 16,000 Units (d) 24,000 Units

28. In 2027, the variable cost was 8500 per unit and fixed cost was 50 per unit. Production was 1,50,000 units. It is expected that production in 2028 will increase to 1,80,000 units. The variable cost will increase by 30% and fixed cost by 28% in 2028. The amount of fixed cost in 2028 will be
(a) 75,00,000 (b) 70,40,000 (c) 96,00,000 (d) 1,15,20,000

29. The ratio of variable cost to sales is 60%. The Margin of Safety occurs at 25% of the capacity sales when fixed cost is 1,80,000. The 100% capacity sales will be
(a) 18,00,000 (b) 12,00,000 (c) 6,00,000 (d) None of the above

30. _____ is the incremental cost of production for producing one additional unit of product.

(a) Marginal Cost (b) Standard Cost (c) Average Cost (d) Total Cost

31. Marginal cost can precisely be the sum of _____ and _____.
(a) prime cost, Fixed overhead
(b) prime cost, variable overhead
(c) Fixed overhead, variable overhead
(d) None of the above

32. _____ is a costing system where products or services and inventories are valued at variable costs only.
a) Marginal Costing (b) Standard Costing (c) Absorption Costing (d) Batch Costing

33. _____ and Marginal Costing is used synonymously.
a) Direct Costing (b) Indirect Costing (c) Absorption Costing (d) Average Costing

34. _____ is difference between the costs of two different production levels
(a) Marginal Cost (b) Differential cost (c) Average Cost (d) Absorption Cost

35. In the production scenario, _____costs are associated with the acquisition and conversion of materials and all other manufacturing inputs into finished product for sale.
(a) Inventoriable Costs (b) Product Costs (c) Both (a) & (b) (d) None of the above

36. _____ is the difference between sales revenue and total variable costs irrespective of manufacturing or non-manufacturing.
(a) Fixed costs (b) Contribution (c) EBIT (d) EBT

37. _____ is the cost, which is not assigned to the products but is charged as expenses against the revenue of the period in which they are incurred.
(a) Product Cost (b) Period Cost (c) Fixed Cost (d) Both (b) & (c)

38. _____ is the practice of charging all costs, both variable and fixed to operations, processes or product.
a) Marginal Costing (b) Standard Costing (c) Absorption Costing (d) Batch Costing

39. In absorption costing the classification of expenses is based on _____ basis whereas in marginal costing it is based on the _____ of expenses.
(a) Functional, nature (b) Nature, functional (c) Functional, level (d) None of the above

40. Advantages of marginal costing
(a) Simplified Pricing Policy
(b) Scope for Low Profitability
(c) Dependence on key factors
(d) All of the above

ANSWERS

21	B	31	B
22	B	32	A
23	A	33	A
24	A	34	B
25	B	35	C
26	C	36	B
27	A	37	B
28	C	38	C
29	C	39	A
30	A	40	A

CA Vinod Ready

41. _____ is a managerial tool showing the relationship between various ingredients of profit planning viz., cost, selling price and volume of activity.
(a) Cost-volume-profit analysis (b) P/V Ratio (c) MOS Ratio (d) Variable Cost ratio

42. Assumptions under cost-volume-profit (CVP) analysis are
(a) Changes in the levels of revenues and costs arise only because of changes in the number of product (or service) units produced and sold
(b) Total costs can be separated into two components
(c) Selling price, variable cost per unit, and total fixed costs (within a relevant range and time period) are known and constant.
(d) All of the above

43. _____ ratio shows the proportion of sales available to cover fixed costs and profit.
(a) Cost-volume-profit (b) P/V Ratio (c) MOS Ratio (d) Variable Cost ratio

44. P / V Ratio=
(a) (Contribution/Sales) * 100
(b) (Change in contribution or profit / Change in sales) * 100
(c) Both (a) & (b)
(d) None of the above

45. At _____ point of production level and sales there will be no profit and loss.
(a) Break Even (b) Margin of safety (c) Contribution (d) EBIT

46. Break-even point in units =
(a) (Total fixed cost/Contribution) × Sales
(b) Fixed costs/Contribution per unit
(c) Both (a) & (b)
(d) None of the above

47. When break-even point is calculated only with those fixed costs which are payable in cash, such a break-even point is known as _____.
(a) Fixed break-even point (b) Cash break-even point (c) Both (a) & (b) (d) None of the above

48. Cash break- even point =
(a) Cash fixed costs/ Contribution per unit
(b) Total fixed cost / Contribution per unit
(c) Either (a) or (b)
(d) None of the above

49. Shivateja Ltd sold 2,75,000 units of its product at ₹ 37.50 per unit. Variable costs are ₹ 17.50 per unit (manufacturing costs of ₹ 14 and selling cost ₹ 3.50 per unit). Fixed costs are incurred uniformly throughout the year and amounting to ₹ 35,00,000 (including depreciation of ₹ 15,00,000). There is no beginning or ending inventories.
COMPUTE breakeven sales level quantity.

(a) 1,75,000 units (b) 1,85,000 units (c) 1,95,000 units (d) 1,70,000 units

50. COMPUTE cash breakeven sales level quantity for the above data
(a) 1,00,000 units (b) 1,15,000 units (c) 1,20,000 units (d) 1,25,000 units

51. You are given the following particulars
i. Fixed cost ₹ 1,50,000
ii. Variable cost ₹ 15 per unit
iii. Selling price is ₹ 30 per unit
CALCULATE Break-even point.
(a) 10,000 units (b) 15,000 units (c) 10,500 Units (d) 15,500 Units

52. _____ can be defined as the difference between the expected level of sale and the breakeven sales.
(a) Break Even (b) Margin of safety (c) Contribution (d) EBIT

53. Margin of Safety =
(a) Projected sales – Breakeven sales
(b) Profit / P / V Ratio
(c) Both (a) & (b)
(d) None of the above

54. Anushka Ltd. Maintains margin of safety of 37.5% with an overall contribution to sales ratio of 40%. Its fixed costs amount to ₹ 5 lakhs. CALCULATE the Break-even sales.
(a) ₹ 12,50,000 (b) ₹ 20,00,000 (c) ₹12,00,000 (d) ₹ 21,50,000

55. Calculate the Total variable cost for the above data
(a) ₹ 12,50,000 (b) ₹ 20,00,000 (c) ₹12,00,000 (d) ₹ 21,50,000

56. State if P/V will increase or P/V will decrease or P/V will not change in the following cases in question 56 to 60:
An increase in the physical sales volume-
(a) P/V will increase (b) P/V will decrease (c) P/V will not change (d) Becomes zero

57. A 10% increase in both selling price and variable cost per unit-
(a) P/V will increase (b) P/V will decrease (c) P/V will not change (d) Becomes zero

58. A 10% increase in the selling price per unit and 10% decrease in the physical sales volume-
(a) P/V will increase (b) P/V will decrease (c) P/V will not change (d) Becomes zero

59. A 50% increase in the variable cost per unit and 50% decrease in the fixed cost-
(a) P/V will increase (b) P/V will decrease (c) P/V will not change (d) Becomes zero

60. A decrease in the contribution margin-
(a) P/V will increase (b) P/V will decrease (c) P/V will not change (d) Becomes zero

ANSWERS

41	A	51	A
42	D	52	B
43	B	53	C
44	C	54	A
45	A	55	C
46	B	56	C
47	B	57	C
48	A	58	A
49	A	59	B
50	A	60	B

CA Vinod Ready

61. This angle shows the rate at which profit is earned once the break-even point is reached.
(a) Angle of intersection (b) Angle of incidence (c) Angle of margin (d) Angle of Break-even

62. The cost and benefit of an option is identified for measurement if it pass(es) the principle(s) of
(a)Controllability (b) Relevance (c) Both (a) & (b) (d) Either (a) or (b)

63. The cost that has already been incurred and do not affect the decision is
(a) Historical Cost (b) Sunk Cost (c) Committed Cost (d) Opportunity Cost

64. The cost which are already paid either for goods or services availed or to be availed.
(a) Historical Cost (b) Sunk Cost (c) Committed Cost (d) Opportunity Cost

65. _____ are the pre-agreed cost which cannot be revoked under the normal circumstances.
(a) Historical Cost (b) Sunk Cost (c) Committed Cost (d) Opportunity Cost

66. _____ is represented by the forgone potential benefit from the best rejected course of action.
(a) Historical Cost (b) Sunk Cost (c) Committed Cost (d) Opportunity Cost

67. _____ means by how much a cost or benefit increased or decreased due to the choice of the option.
(a) Traceability (b) Variability (c) Invariability (d) Flexibility

68. _____ of cost means degree of relationship between the cost and the choice of the option.
(a) Traceability (b) Variability (c) Invariability (d) Flexibility

69. When No opening and closing stock exists , profit / loss under absorption and marginal costing will be
(a) Zero (b) equal (c) Negative (d) Highest

70. When closing stock is more than opening stock, profit as per absorption approach will be _____ than that by marginal approach.
(a) more (b) equal (c) less (d) None of the above

71. Material Cost per unit = ₹10
Labour Cost per unit = ₹6
Variable Factory OH cost per unit = ₹4
Fixed Factory OH = ₹20,000
No. of units produced = 10,000 units
No. of units sold = 8,000 units
Find profit as per absorption costing, if selling price is ₹250 per unit.
(a) 18,00,000 (b) 18,20,000 (c) 18,24,000 (d) 18,28,000

72. Find profit as per marginal costing using the data of above question.
(a) 18,00,000 (b) 18,20,000 (c) 18,24,000 (d) 18,28,000

73. Answer questions from 73 to 75 based on below data.
Direct Material Cost = ₹3
Direct Labour cost per unit = ₹5
Selling Expenses per unit = ₹6
Fixed Overhead for the quarter = ₹60,000
No. of units produced in the quarter = 20000 units
No of units sold = 500 units
Selling price per unit = ₹35 per unit
Variable Factory OH cost per unit = ₹8
Calculate the value of closing stock as per Absorption Costing.
(a) 3,70,000 (b) 3,70,500 (c) 3,75,000 (d) 3,50,500

74. Calculate the profit/(loss) as per absorption costing.
(a) 4,500 (b) 4,800 (c) 5,000 (d) 5,500

75. Calculate the profit/(loss) as per marginal costing.
(a) 54,500 (b) (53,500) (c) (54,500) (d) 53,500

76. Selling price p.u. = 10
Variable cost p.u. = 8
Fixed cost for the period = 50,000
Normal capacity of the period = 1,00,000 units
Find break-even point in units.
(a) 25,000 units (b) 30,000 units (c) 35,000 units (d) None of the above

77. Find break-even point in sales using the above data.
(a) Rs. 2,00,000 (b) Rs. 2,50,000 (c) 2,75,000 (d) None of the above

78. Find break-even point in capacity using the above data.
(a) 20% (b) 25% (c) 30% (d) 50%

79. Profit for the year= Rs. 50,000
P/V ratio = 25%
Actual sales= Rs. 20,00,000.
Find MOS ratio.
(a) 10% (b) 15% (c) 20% (d) 25%

80. Find MOS sales using the above data.
(a) Rs. 2,00,000 (b) Rs. 1,50,000 (c) Rs. 3,00,000 (d) 2,50,000

CA Vinod Ready

ANSWERS

61	B	71	C
62	C	72	B
63	A	73	B
64	B	74	C
65	C	75	B
66	D	76	A
67	B	77	B
68	A	78	B
69	B	79	A
70	A	80	A

CA Vinod Ready

81.

PARTICULARS	JANUARY 2027 (Rs.)	FEB & MARCH 2027 (Rs.)
Sales	50,000	1,60,000
Profit	20,000	90,000

Calculate P/V ratio.
(a) 33.33% (b) 66.66% (c) 83.33% (d) 90%

82. Calculate Fixed cost for the year 2027 using above data.
(a) Rs. 2,00,000 (b) Rs. 2,50,000 (c) Rs. 2,60,000 (d) Rs. 3,00,000

83. Calculate break-even sales for the year using above data
(a) Rs. 3,00,000 (b) Rs. 3,11,000 (c) Rs. 3,20,000 (d) Rs. 3,12,000

84. Calculate sales required for annual profit of Rs. 2,00,000 using the above data.
(a) Rs. 5,00,000 (b) Rs. 5,50,000 (c) Rs. 5,52,000 (d) Rs. 5,58,000

85. Answer questions from 85 to 88 using the below data.
Actual total sales = Rs. 2,50,000
MOS ratio = 60%
P/V Ratio= 30%
Calculate net profit.
(a) 45,000 (b) 48,000 (c) 50,000 (d) 55,000

86. Calculate break-even sales.
(a) 50,000 (b) 1,00,000 (c) 1,50,000 (d) 2,00,000

87. Calculate sales required for a desired profit of Rs. 1,05,000.
(a) 4,00,000 (b) 4,25,000 (c) 4,50,000 (d) 4,30,000

88. Calculate MOS ratio if total sales for the period are Rs. 4,00,000.
(a) 25% (b) 50% (c) 75% (d) 100%

89. S.P. p.u.= Rs. 25
V.C. p.u.= Rs. 15
Fixed cost for the period= Rs. 80,00,000. (including depreciation of Rs. 20,00,000).
Calculate Normal BEP.
(a) 7,00,000 units (b) 8,00,000 units (c) 9,00,000 units (d) 9,50,000 units

90. Calculate Cash BEP using the above data.
(a) 5,00,000 units (b) 6,00,000 units (c) 7,00,000 units (d) 8,00,000 units

91. Fixed cost for the year= Rs. 3,00,000
Selling price per unit = Rs. 20
Variable cost per unit = Rs. 15
Fixed cost for the year if we shut-down the plant = Rs. 2,00,000
Cost of shutdown= Rs. 20,000 for the year.
Calculate the shut-down point.
(a) 15,000 units (b) 16,000 units (c0 20,000 units (d) 25,000 units

92. Fixed cost for the quarter= Rs. 60,000
Contribution per unit = Rs. 10
Fixed cost for the year if we Shut-down the plant for 3 months = Rs. 40,000
Cost of shutdown= Rs. 5,000
Calculate the shut-down point.
(a) 1500 units (b) 1600 units (c) 2000 units (d) 2500 units

93. AK Limited started a manufacturing unit from 1st October 2027. It produces designer lamps and sells its lamps at ₹ 450 per unit. During the quarter ending on 31st December, 2027, it produced and sold 12,000 units and suffered a loss of ₹ 35 per unit. During the quarter ending on 31st March, 2028, it produced and sold 30,000 units and earned a profit of ₹ 40 per unit.
Total fixed cost incurred by AK ltd. per quarter.
(a) ₹ 15,00,000 (b) ₹ 12,00,000 (c) ₹ 13,00,000 (d) ₹ 14,00,000

94. Answer questions from 94 to 97 using the below data.
VR Ltd sells its Product 'Y' at a price of ₹ 300 per unit and its variable cost is ₹ 180 per unit. The fixed costs are ₹ 16,80,000 per year uniformly incurred throughout the year. The Profit for the year is ₹ 7,20,000.
Calculate BEP in value (₹).
(a) Rs. 41,00,000 (b) Rs. 42,00,000 (c) Rs. 44,00,000 (d) Rs. 46,00,000

95. Calculate Margin of Safety (in Amount).
(a) Rs. 18,00,000 (b) Rs. 20,00,000 (c) Rs. 12,00,000 (d) Rs. 22,00,000

96. Calculate Profits made when sales are 24,000 units.
(a) Rs. 28,80,000 (b) Rs. 16,80,000 (c) Rs. 12,00,000 (d) Rs. 15,00,000

97. Calculate Sales in value (₹) to be made to earn a net profit of ₹ 10,00,000 for the year.
(a) Rs. 67,00,000 (b) Rs. 69,00,000 (c) Rs. 68,00,000 (d) Rs. 70,00,000

98. Answer questions from 98 to 100 based on below details.
AR company has prepared its budget for the production of 2,00,000 units. The variable cost per unit is ₹ 16 and fixed cost is ₹ 4 per unit. The company fixes its selling price to fetch a profit of 20% on total cost.
Calculate Present break-even sales in ₹
(a) Rs. 24,00,000 (b) Rs. 30,85,705 (c) ₹ 9,60,000 (d) ₹ 17,60,000

99. Calculate Present profit-volume ratio.
(a) 25% (b) 33.33% (c) 50% (d) 66.66%

100. What would be revised sales- in quantity, if a company desires a profit increase of 20% more than the budgeted profit and selling price is reduced by 10%
(a) 3,14,286 units (b) 7,88,578 units (c) 3,85,711 units (d) None of the above

ANSWERS

81	C	91	B
82	C	92	A
83	D	93	A
84	C	94	B
85	A	95	A
86	B	96	C
87	C	97	A
88	C	98	A
89	B	99	B
90	B	100	A

CA Vinod Ready

EXPERT PROFESSIONAL ACADEMY PVT. LTD. - CA- INTER

15. BUDGETS AND BUDGETARY CONTROL

1. If a company wishes to establish a factory overhead budget system in which estimated costs can be derived directly from estimates of activity levels, it should prepare a
(a) Master budget (b) Cash budget (c) Flexible budget (d) Fixed budget

2. The classification of fixed and variable cost is useful for the preparation of
(a) Master budget (b) Flexible budget (c) Cash budget (d) Capital budget

3. Budget manual is a document
(a) Which contains different type of budgets to be formulated only
(b) Which contains the details about standard cost of the products to be made
(c) Setting out the budget organization and procedures for preparing a budget including fixation of responsibilities, formats and records required for the purpose of preparing a budget and for exercising budgetary control system
(d) None of the above

4. The budget control organization is usually headed by a top executive who is known as
(a) General manager
(b) Budget director/budget controller
(c) Accountant of the organization
(d) None of the above

5. "A favourable budget variance is always an indication of efficient performance". Do you agree, give reason?
(a) A favourable variance indicates, saving on the part of the organization hence it indicates efficient performance of the organization
(b) Under all situations, a favourable variance of an organization speaks about its efficient performance
(c) A favourable variance does not necessarily indicate efficient performance, because such a variance might have been arrived at by not carrying out the expenses mentioned in the budget
(d) None of the above

6. A budget report is prepared on the principle of exception and thus
(a) Only unfavourable variances should be shown
(b) Only favourable variance should be shown
(c) Both favourable and unfavourable variances should be shown
(d) None of the above

7. Purchases budget and materials budget are same
(a) Purchases budget is a budget which includes only the details of all materials purchased
(b) Purchases budget is a wider concept and thus includes not only purchases of materials but also other item's as well
(c) Purchases budget is different from materials budget; it includes purchases of other items only
(d) None of the above

8. Efficiency ratio is
(a) The extent of actual working days avoided during the budget period
(b) Activity ratio/ capacity ratio
(c) Whether the actual activity is more or less than budgeted activity
(d) None of the above

9. Activity Ratio depicts
(a) Whether actual capacity utilized exceeds or falls short of the budgeted capacity
(b) Whether the actual hours used for actual production were more or less than the standard hours
(c) Whether actual activity was more or less than the budgeted capacity
(d) None of the above

10. Which of the following is usually a short-term budget
(a) Capital expenditure budget (b) Research and development budget
(c) Cash budget (d) Sales budget

11. A budget is an instrument of management used as an aid in the planning, programming and control of business activity.
(a) True (b) False (c) Partially True (d) Partially False

12. _____ is the process of designing, implementing and operating of budget.
(a) Budgeting (b) Forecasting (c) Both (a) & (b) (d) None of the above

13. The main characteristics of budget are
(a) A budget is concerned for a definite future period
(b) A budget is a written document
(c) A budget is a detailed plan of all the economic activities of a business
(d) All of the above

14. _____ establishes the objectives of the firm and decides the course of action to achieve it.
(a) Planning (b) Direction (c) Co-ordination (d) Controlling

15. _____is a statement of what should be done, how it should be done and when it should be done.
(a) Planning (b) Direction (c) Co-ordination (d) Controlling

16. _____ is the process of monitoring, measuring, evaluating and correcting actual results to ensure that a firm's goals and plans are achieved.
(a) Planning (b) Direction (c) Co-ordination (d) Controlling

17. _____ is the system of management control and accounting in which all the operations are forecasted and planned in advance to the extent possible and the actual results compared with the forecasted and planned results.
(a) Master Control (b) Cash Control (c) Budget Control (d) None of the above

18. Budgetary Control Involves
(a) Establishment of budgets
(b) Continuous comparison of actuals with budgets for achievement of targets
(c) Revision of budgets after considering the changes in the circumstances
(d) All of the above

19. Objectives of Budgetary Control System is
(a) Ensuring optimum use of available resources
(b) Portraying with precision the overall aims of the business
(c) Providing a basis for revision
(d) All of the above

20. Budgetary Control System includes
(a) Feedback Control (b) Feedforward Control (c) Either (a) or (b) (d) Both (a) & (b)

CA Vinod Reddy

ANSWERS

1	C	11	A
2	B	12	A
3	C	13	D
4	B	14	A
5	C	15	A
6	C	16	D
7	B	17	C
8	B	18	D
9	C	19	D
10	C	20	D

CA Vinod Ready

21. _____ is Ex-Ante Preventive control mechanism of budgetary control.
(a) Feedback Control (b) Feedforward Control (c) Budget Control (d) None of the above

22. Under _____, the actual results for the budgeted period are collected and compared with the budgeted figures.
(a) Feedback Control (b) Feedforward Control (c) Budget Control (d) None of the above

23. The responsibility for successfully introducing and implementing Budgetary Control System rests with the
(a) Budget Committee (b) Budget Officer (c) President (d) CEO

24. The main responsibilities of the Budget Committee/Budget Officer are to
(a) Assist in the preparation of the separate budget for various departments
(b) Not Prepare the periodical budget reports
(c) Not Prepare an overall budget working report
(d) All of the above

25. Advantages of Budgetary Control System includes
(a) Efficiency (b) Control on expenditure (c) Credit Rating (d) All of the above

26. Limitations of Budgetary Control System includes
(a) Cost Consciousness (b) Based on Estimates (c) Both (a) & (b) (d) None of the above

27. Budgets are broadly grouped under the heads
(a) Physical budgets (b) Cost budgets (c) Financial budgets (d) All of the above

28. _____ is a booklet specifying the objectives of an organisation in relation to its strategy.
(a) Budget Magazine (b) Budget Register (c) Budget Manual (d) Budget Book

29. Budget manual may include
(a) A timetable for the preparation of each budget
(b) Reports, statements, forms and other record to be maintained
(c) The reporting of the remedial action
(d) All of the above

30. The period covered by a budget is known as _____.
(a) Financial Period (b) Budget Period (c) Terminal period (d) Both (a) & (b)

31. A budget prepared on the basis of standard or fixed level of activity is known as _____.
(a) Standard Budget (b) Fixed Budget (c) Both (a) & (b) (d) None of the above

32. A _____ is a budget which, by recognising the difference in behaviour between fixed and variable costs in relation to fluctuations in output, turnover, or other variable factors, is designed to change appropriately with such fluctuations.
(a) Flexible Budget (b) Fluctuating Budget (c) Both (a) & (b) (d) None of the above

33. A _____ budget is one which is related to function of the business.
(a) Operational (b) Functional (c) Both (a) & (b) (d) None of the above

34. _____ Budget is a forecast of the production for the budget period of an organisation.
(a) Sales (b) Manufacture (c) Production (d) Both (b) & (c)

35. _____ is defined as the cost of seeking to create and stimulate demand and of securing orders.
(a) Distribution cost (b) Selling cost (c) Acquisition cost (d) Both (a) & (b)

36. _____ has been defined as the cost of the sequence of operations which begins with making the packet of product available for dispatch and ends with making the re-conditioned return of empty package, if any available for re-use.
(a) Distribution cost (b) Selling cost (c) Acquisition cost (d) Both (a) & (c)

37. The _____ budget represents the planned outlay on fixed assets.
(a) Capital Revenue (b) Capital Expenditure (c) Capital Deferred (d) None of the above

38. _____ is a detailed budget of cash receipts and cash payments incorporating both revenue and capital items for the budget period.
(a) Operating Budget (b) Financial Budget (c) Cash Budget (d) All of the above

39. The advantages of preparing cash budget are
(a) It eases strains of a cash shortage
(b) It provides for normal growth
(c) It facilitates temporary cash investment wherever, and to whatever extent, found in excess
(d) All of the above

40. _____ is the summary budget, incorporating its component functional budgets, which is finally approved, adopted and employed.
(a) Operating Budget (b) Financial Budget (c) Cash Budget (d) Master Budget

CA Vinod Reddy

ANSWERS

21	B	31	B
22	A	32	A
23	A	33	B
24	A	34	C
25	D	35	B
26	B	36	A
27	D	37	B
28	C	38	C
29	D	39	D
30	B	40	D

CA Vinod Ready

41. _____ is a budget prepared covering a period of more than a year.
(a) Long term Budget (b) Perpetual budget (c) Extended Budget (d) All of the above

42. The period of long-term Budgets varies between _____to_____ years.
(a) two, five (b) three, ten (c) five, ten (d) one, seven

43. These budgets are generally for one or two years and are in the form of monetary terms.
(a) Short term budgets (b) Provisional Budgets (c) Current Budgets (d) Both (a) & (b)

44. The period of _____ is generally of months and weeks.
(a) Short term budgets (b) Provisional Budgets (c) Current Budgets (d) Both (a) & (b)

45. _____ is defined as a method of budgeting which requires each cost element to be specifically justified, though the activities to which the budget relates are not being undertaken for the first time.
(a) Zero – Based Budgeting (ZBB)
(b) One – Based Budgeting (OBB)
(c) Equal - Based Budgeting (EBB)
(d) None of the above

46. _____ is an activity-based budgeting system where budgets are prepared for each activity rather than functional department.
(a) Zero – Based Budgeting (ZBB)
(b) One – Based Budgeting (OBB)
(c) Equal - Based Budgeting (EBB)
(d) None of the above

47. ZBB is also known as _____.
(a) Equality-based Budgeting
(b) Priority-based Budgeting
(c) Main-based Budgeting
(d) Both (b) & (c)

48. Advantages of Zero-based Budgeting are
(a) It provides a systematic approach for the evaluation of different activities
(b) It provides an opportunity to the management to allocate resources
(c) The areas of wasteful expenditure can be easily identified and eliminated.
(d) All of the above

49. This is relationship between the budgeted number of working hours and the maximum possible number of working hours in a budget period.
(a) Capacity Usage Ratio
(b) Standard Capacity Employed Ratio
(c) Level of Activity Ratio
(d) Efficiency Ratio

50. This ratio indicates the extent to which facilities were actually utilized during the budget period.
(a) Capacity Usage Ratio
(b) Standard Capacity Employed Ratio
(c) Level of Activity Ratio
(d) Efficiency Ratio

51. This may be defined as the number of standard hours equivalent to work produced expressed as a percentage of the budget of standard hours.
(a) Capacity Usage Ratio
(b) Standard Capacity Employed Ratio
(c) Level of Activity Ratio
(d) Efficiency Ratio

52. This ratio may be defined as standard hours equivalent of work produced expressed as a percentage of the actual hours spent in producing the work.
(a) Capacity Usage Ratio
(b) Standard Capacity Employed Ratio
(c) Level of Activity Ratio
(d) Efficiency Ratio

53. Efficiency Ratio =
(a) (Standard Hours/Actual Hours) ×100
(b) (Standard Hours/Budgeted Hours) ×100
(c) (Budgeted Hours/Max. possible hours in the budgeted period) ×100
(d) (Actual Hours worked/Max. possible working hours in a period) ×100

54. Activity Ratio =
(a) (Standard Hours/Actual Hours) ×100
(b) (Standard Hours/Budgeted Hours) ×100
(c) (Budgeted Hours/Max. possible hours in the budgeted period) ×100
(d) (Actual Hours worked/Max. possible working hours in a period) ×100

55. Standard Capacity Usage Ratio =
(a) (Standard Hours/Actual Hours) ×100
(b) (Standard Hours/Budgeted Hours) ×100
(c) (Budgeted Hours/Max. possible hours in the budgeted period) ×100
(d) (Actual Hours worked/Max. possible working hours in a period) ×100

56. Actual Capacity Usage Ratio =
(a) (Standard Hours/Actual Hours) ×100
(b) (Standard Hours/Budgeted Hours) ×100
(c) (Budgeted Hours/Max. possible hours in the budgeted period) ×100
(d) (Actual Hours worked/Max. possible working hours in a period) ×100

57. _____ is a section of an organisation developed for the purpose of budgetary control, and is intended to facilitate formulation of various budgets with the help of head of the department.
(a) Budget Committee (b) Budget Centre (c) Budget Council (d) Budget Corner

58. _____ means that budget in which the responsibility of various levels of management is predetermined in terms of output or result keeping in view the authority vested with them.
(a) Fixed Budget (b) Flexible Budget (c) Performance Budgeting (d) ZBB

59. Following data is available for VR and Co:

Standard working hours	8 hours per day of 5 days per week
Maximum capacity	50 employees
Actual working	40 employees
Actual hours expected to be worked per four week	6,400 hours
Std. hours expected to be earned per four weeks	8,000 hours
Actual hours worked in the four- week period	6,000 hours
Standard hours earned in the four- week period	7,000 hours.

The related period is of 4 weeks. In this period there was a one special day holiday due to national event.
CALCULATE the Efficiency Ratio
(a) 116.67% (b) 109.375% (c) 95% (d) 80%

60. Calculate activity ratio for the above data
(a) 116.67% (b) 109.375% (c) 95% (d) 80%

CA Vinod Ready

ANSWERS

41	A	51	C
42	B	52	D
43	A	53	A
44	C	54	B
45	A	55	C
46	A	56	D
47	B	57	B
48	A	58	C
49	A	59	A
50	B	60	B

CA Vinod Ready

61. The relevant data is as below: Budgeted Production 1,44,000 units Standard Hours per unit 12 Actual Production 1,20,000 units Actual Working Hours 12,00,000.
Calculate Efficiency ratio.
(a) 120% (b) 133.33% (c) 150% (d) 166.66%

62. Calculate Activity Ratio using the above data.
(a) 83.34% (b) 85% (c) 86.66% (d) 90%

63. Calculate Capacity Ratio using the above data.
(a) 65.55% (b) 65% (c) 69.45% (d) 69%

64. Answer the questions from 64 to 68 using the below case study.
Following data is available for PS Ltd

Standard working hours	8 hours per day of 5 days per week
Maximum Capacity	60 employees
Actual working	50 employees
Actual hours expected to be worked per four weeks	8,000 hours
Standard hours expected to be earned per four weeks	9,600·hours
Actual hours worked in the four weeks period	7,500 hours
Standard hours earned in the four weeks period	8,800 hours

The related period is of four weeks.
Calculate the Efficiency Ratio
(a) 117.33% (b) 83.33% (c) 78.125% (d) 110%

65. Calculate the Activity Ratio
(a) 117.33% (b) 83.33% (c) 78.125% (d) 110%

66. Calculate the Standard Capacity Usage Ratio
(a) 117.33% (b) 83.33% (c) 78.125% (d) 110%

67. Calculate Actual Capacity Usage Ratio
(a) 71.33% (b) 78.33% (c) 75% (d) 78.125%

68. Calculate the Actual Usage of Budgeted Capacity Ratio
(a) 93.75% (b) 94.25% (c) 95% (d) 93.15%

69. Objectives of Budgetary Control System are
(a) Providing a basis for the comparison
(b) Co-ordinating the various activities
(c) Engendering a spirit of careful forethought
(d) All of the above

70. Zero-based budgeting (ZBB) involves the following stages
(a) Identification and description of Decision packages
(b) Evaluation of Decision packages
(c) Ranking (Prioritisation) of the Decision packages
(d) All of the above

ANSWERS

61	A
62	A
63	C
64	A
65	D
66	B
67	D
68	A
69	D
70	D

CA Vinod Reddy